NAVIGANT CONSULTING INC
Form 10-Q
October 29, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

Commission File No. 1-12173

Navigant Consulting, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**36-4094854**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

30 South Wacker Drive, Suite 3550, Chicago, Illinois 60606

(Address of principal executive offices, including zip code)

(312) 573-5600

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ¨ NO x

As of October 24, 2014, 48,494,296 shares of the registrant s common stock, par value $.001 per share, were outstanding.

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Forward-Looking Statements

Statements included in this report which are not historical in nature are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may generally be identified by words such as anticipate, believe, intend, estimate, expect, plan, outlook and similar expressions. We caution rea there may be events in the future that we are not able to accurately predict or control and the information contained in the forward-looking statements is inherently uncertain and subject to a number of risks that could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including the factors described in the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013 and Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations in this report. We cannot guarantee any future results, levels of activity, performance or achievement, and we undertake no obligation to update any of the forward-looking statements contained in this report.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,252	$ 1,968
Accounts receivable, net	212,707	167,066
Prepaid expenses and other current assets	25,231	24,554
Deferred income tax assets	14,985	17,314
Total current assets	257,175	210,902
Non-current assets:		
Property and equipment, net	56,184	44,338
Intangible assets, net	27,952	10,778
Goodwill	571,846	615,343
Other assets	21,492	22,836
Total assets	$ 934,649	$ 904,197
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 10,888	$ 13,415
Accrued liabilities	11,536	12,691
Accrued compensation-related costs	69,611	78,610
Income tax payable	5,734	1,137
Other current liabilities	30,464	32,009
Total current liabilities	128,233	137,862
Non-current liabilities:		
Deferred income tax liabilities	74,724	86,571
Other non-current liabilities	36,667	26,016
Bank debt non-current	158,017	56,673
Total non-current liabilities	269,408	169,260

Total liabilities		397,641		307,122
Stockholders equity:				
Common stock		64		63
Additional paid-in capital		609,363		598,724
Treasury stock		(268,956)		(247,106)
Retained earnings		206,016		254,735
Accumulated other comprehensive loss		(9,479)		(9,341)
Total stockholders equity		537,008		597,075
Total liabilities and stockholders equity	$	934,649	$	904,197

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share data)

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
Revenues before reimbursements	$ 205,534	$ 186,444	$ 567,094	$ 556,644
Reimbursements	24,605	25,163	68,890	74,117
Total revenues	230,139	211,607	635,984	630,761
Cost of services before reimbursable expenses	135,859	122,165	382,779	367,577
Reimbursable expenses	24,605	25,163	68,890	74,117
Total costs of services	160,464	147,328	451,669	441,694
General and administrative expenses	34,067	33,914	101,406	99,036
Depreciation expense	5,116	4,122	14,378	11,952
Amortization expense	1,673	1,815	4,668	5,226
Other operating costs (benefit):				
Contingent acquisition liability adjustments, net	(834)	(2,000)	(4,438)	(2,000)
Office consolidation, net		(150)		348
Gain on disposition of assets				(1,715)
Goodwill impairment			122,045	
Other impairment			204	
Operating income (loss)	29,653	26,578	(53,948)	76,220
Interest expense	1,942	1,094	4,177	3,491
Interest income	(56)	(96)	(216)	(371)
Other (income) expense, net	(57)	99	211	(43)
Income (loss) from continuing operations before income tax (benefit) expense	27,824	25,481	(58,120)	73,143
Income tax (benefit) expense	11,563	11,952	(8,892)	32,250
Net income (loss) from continuing operations	16,261	13,529	(49,228)	40,893
Income (loss) from discontinued operations, net of tax		(3,303)	509	(2,919)
Net income (loss)	$ 16,261	$ 10,226	$ (48,719)	$ 37,974
Basic per share data				
Net income (loss) from continuing operations	$ 0.33	$ 0.27	$ (1.01)	$ 0.82
Income (loss) from discontinued operations, net of tax		(0.07)	0.01	(0.06)
Net income (loss) (1)	$ 0.33	$ 0.21	$ (1.00)	$ 0.76

Shares used in computing basic per share data	48,736	49,573	48,856	49,970
Diluted per share data				
Net income (loss) from continuing operations	$ 0.33	$ 0.27	$ (1.01)	$ 0.80
Income (loss) from discontinued operations, net of tax		(0.07)	0.01	(0.06)
Net income (loss)	$ 0.33	$ 0.20	$ (1.00)	$ 0.74
Shares used in computing diluted per share data	49,827	50,762	48,856	51,048
Net income (loss)	$ 16,261	$ 10,226	$ (48,719)	$ 37,974
Other comprehensive income (loss), net of tax				
Unrealized net income (loss), foreign currency translation	(950)	4,741	(258)	(1,344)
Unrealized net income (loss) on interest rate derivatives	5	(58)	(29)	(22)
Reclassification adjustment on interest rate derivatives included in interest expense and income tax expense	72	37	149	95
Other comprehensive income (loss), net of tax	(873)	4,720	(138)	(1,271)
Total comprehensive income (loss), net of tax	$ 15,388	$ 14,946	$ (48,857)	$ 36,703

(1) Basic net income per share for the three months ended September 30, 2013 does not sum due to rounding.

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands)

	Common Stock Shares	Treasury Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock Cost	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stock-holders Equity
Balance at December 31, 2013	62,802	(13,770)	63	598,724	(247,106)	(9,341)	254,735	597,075
Comprehensive loss						(138)	(48,719)	(48,857)
Issuances of common stock	166			2,431				2,431
Tax benefits on stock options exercised and restricted stock units vested				2,002				2,002
Vesting of restricted stock and restricted stock units, net of forfeitures and tax withholdings	657	(48)	1	(3,715)	(881)			(4,595)
Share-based compensation expense	10	(10)		7,338	(172)			7,166
Additional paid-in capital recorded through compensation expense				2,583				2,583
Repurchases of common stock		(1,204)			(20,797)			(20,797)
Balance at September 30, 2014	63,635	(15,032)	$ 64	$ 609,363	$ (268,956)	$ (9,479)	$ 206,016	$ 537,008

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the nine months ended September 30, 2014	2013
Cash flows from operating activities:		
Net income (loss)	$ (48,719)	$ 37,974
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	14,378	11,952
Accelerated depreciation - office consolidation		498
Amortization expense	4,668	5,226
Amortization expense - client-facing software	825	237
Share-based compensation expense	7,166	8,194
Accretion of interest expense	1,565	676
Deferred income taxes	(21,202)	12,750
Allowance for doubtful accounts receivable	4,309	1,917
Contingent acquisition liability adjustments, net	(4,438)	(2,000)
Gain on disposition of assets		(1,715)
Gain (loss) on disposition of discontinued operations	(509)	3,675
Goodwill impairment	122,045	
Other impairment	204	
Changes in assets and liabilities (net of acquisitions and dispositions):		
Accounts receivable	(38,522)	(22,554)
Prepaid expenses and other assets	(778)	10,100
Accounts payable	(3,021)	(3,374)
Accrued liabilities	(1,125)	3,385
Accrued compensation-related costs	(10,909)	(14,508)
Income taxes payable	6,113	304
Other liabilities	(5,157)	(2,099)
Net cash provided by operating activities	26,893	50,638
Cash flows from investing activities:		
Purchases of property and equipment	(15,065)	(8,707)
Acquisitions of businesses, net of cash acquired	(89,180)	(2,989)
Proceeds from dispositions, net of selling costs	824	16,973
Payments of acquisition liabilities	(1,110)	(1,838)
Capitalized client-facing software	(864)	(2,492)
Net cash (used in) provided by investing activities	(105,395)	947
Cash flows from financing activities:		
Issuances of common stock	2,431	2,620

Repurchases of common stock	(20,797)	(22,321)
Payments of contingent acquisition liabilities	(107)	(3,287)
Repayments to banks	(231,201)	(266,327)
Borrowings from banks	332,947	242,466
Payments of debt issuance costs		(669)
Other, net	(2,474)	(1,551)
Net cash (used in) provided by financing activities	80,799	(49,069)
Effect of exchange rate changes on cash and cash equivalents	(13)	(49)
Net increase in cash and cash equivalents	2,284	2,467
Cash and cash equivalents at beginning of the period	1,968	1,052
Cash and cash equivalents at end of the period	$ 4,252	$ 3,519

Supplemental Consolidated Cash Flow Information

	For the nine months ended September 30,	
	2014	**2013**
Interest paid	$ 1,991	$ 2,303
Income taxes paid, net of refunds	$ 4,110	$ 18,922

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Navigant Consulting, Inc. (we, us, or our) is an independent specialized, global professional services firm that combines deep industry knowledge with technical expertise to enable companies to defend, protect and create value. We focus on industries and clients facing transformational change and significant regulatory and legal issues. We serve clients primarily in the healthcare, energy, construction and financial services sectors which represent highly complex regulatory environments. Our professional service offerings include strategic, financial, operational, technology, risk management, compliance, investigative solutions, dispute resolution services and revenue cycle management. We provide our services to companies, legal counsel and governmental agencies. Our business is organized in four reporting segments Disputes, Investigations & Economics; Financial, Risk & Compliance; Healthcare; and Energy.

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim reporting and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America (GAAP). The information contained herein includes all adjustments, consisting of normal and recurring adjustments except where indicated, which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods presented.

The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2014.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes as of and for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the SEC on February 14, 2014 (2013 10-K).

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and the related notes. Actual results could differ from those estimates and may affect future results of operations and cash flows. We have evaluated events and transactions occurring after the balance sheet date and prior to the date of the filing of this report.

2. ACQUISITIONS

2014 Acquisitions

On May 14, 2014, we acquired Cymetrix Corporation (Cymetrix) to expand our healthcare business. Cymetrix specializes in providing revenue cycle management services to hospital and healthcare networks. This acquisition included approximately 600 professionals and was integrated into the Technology, Data & Process group within our Healthcare segment. We paid $76.9 million, including selling costs, in cash at closing. During the third quarter 2014, we paid approximately $1.4 million for closing date working capital adjustments. The selling stockholders of Cymetrix can also earn up to an additional $25.0 million based on the business achieving certain performance targets over the period beginning November 1, 2014 and ending October 31, 2015. The additional payment is due within 90 days of the end of the performance period. The deferred contingent consideration is recorded at fair value for each reporting period (see Note 12 Fair Value). We estimated the fair value of the deferred contingent consideration on the closing date to be $20.3 million which was recorded in other non-current liabilities at net present value using a risk-adjusted discount rate. During the nine months ended September 30, 2014, acquisition costs relating to this acquisition totaling $1.2 million were expensed as incurred and included within general and administrative expenses. We have preliminarily estimated the fair value of the assets and liabilities for Cymetrix. We are still in the process of finalizing closing date working capital adjustments and tax related balances. In addition, as we complete our review we may come across additional closing date adjustments not anticipated. These adjustments may revise our preliminary purchase price allocation. The excess of the purchase price over the aggregate fair values was recorded as goodwill as required by ASC 805 Accounting for Business Combinations and Non-controlling Interests. Post-acquisition adjustments relating to facts and circumstances at the closing date, if any, will be recorded to goodwill when identified for a period not exceeding 12 months. The preliminary opening balance sheet for Cymetrix is as follows (in thousands):

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Cash	$ 1,357
Accounts receivable, net	11,283
Other current assets	1,659
Property and equipment, net	11,824
Goodwill	71,347
Intangible assets	18,000
Total assets	$ 115,470
Total liabilities	$ 37,103

The beginning fair value balance of the Cymetrix intangible assets consisted of the following (amounts in thousands, except year data):

Category	Useful Life (years)	Amount
Trade name	4.0	$ 1,900
Customer lists and relationships	8.3	16,100
		$ 18,000

Also, during 2014, we acquired three small businesses, Leerink Swann Consulting (Leerink) in April 2014, HLP Consulting PTE. LTD (HLP) in June 2014, and Assay Healthcare Solutions, LLC (Assay) in August 2014 for an aggregate purchase price of $11.8 million, of which $9.3 million was paid in cash at closing. Leerink and Assay were integrated into our Healthcare segment, and HLP was integrated into our Disputes, Investigations & Economics segment.

2013 Acquisitions

On July 1, 2013, we acquired the assets of The Anson Group, LLC (Anson) for an aggregate purchase price of $5.0 million, of which $3.0 million was paid in cash at closing and $2.0 million will be paid in deferred cash payments in three equal installments on each of the first, second and third anniversaries of closing. During the third quarter of 2014, a payment of $0.7 million was made toward the deferred acquisition liability. Anson can also earn up to $3.0 million of additional payments based on the business achieving certain performance targets over a three-year period following the closing. The deferred contingent consideration is recorded at fair value for each reporting period (see Note 12 Fair Value). Anson was integrated into our Disputes, Investigations & Economics segment.

Pro Forma Information

The following supplemental unaudited pro forma financial information was prepared as if the acquisitions noted above had occurred as of January 1, 2013. The following table was prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the acquisitions been made at that time or of results which may occur in the future (in thousands, except per share data).

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Total revenues	$ 230,303	$ 228,696	$ 661,337	$ 685,720
Net income (loss) from continuing operations	$ 16,241	$ 13,998	$ (49,444)	$ 42,436
Basic net income (loss) from continuing operations per basic share	$ 0.33	$ 0.28	$ (1.01)	$ 0.85
Shares used in computing net income per basic share	48,736	49,573	48,856	49,970
Diluted net income (loss) from continuing operations per diluted share	$ 0.33	$ 0.28	$ (1.01)	$ 0.83
Shares used in computing net income (loss) per diluted share	49,827	50,762	48,856	51,048

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3. DISPOSITIONS AND DISCONTINUED OPERATIONS

On July 8, 2013, we sold the United Kingdom financial services advisory business within our Financial, Risk & Compliance segment. The transaction included the transition of 45 employees to the purchaser. As part of the transaction, we received $1.4 million in cash, net of selling costs and a holdback for post-closing working capital adjustments. The sale agreement also allowed for contingent deferred proceeds of $2.5 million payable to us on the 13th month anniversary of the closing based on the achievement of certain performance targets. The performance targets were not achieved, and there were no contingent deferred proceeds paid to us. During the three months ended March 31, 2014, we recorded a $0.5 million gain which was included in income from discontinued operations, net of tax, related to the settlement of the holdback mentioned above.

The operating results of the United Kingdom financial services advisory business have been reported in accordance with ASC Topic 205 as discontinued operations. All other operations are considered continuing operations. Summarized operating results of the discontinued operations are presented in the following table (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Revenues before reimbursements	$	$ 140	$	$ 6,904
Total revenues	$	$ 324	$	$ 9,035
Income (loss) from discontinued operations before income tax expense	$	$ (3,191)	$ 509	$ (2,680)
Income tax expense from discontinued operations	$	$ 112	$	$ 239
Income (loss) from discontinued operations, net of tax	$	$ (3,303)	$ 509	$ (2,919)

On January 31, 2013, we sold a portion of the economics business within our Disputes, Investigations & Economics segment. This disposition facilitated the transition of four experts and certain engagements and approximately 40 other employees to the purchaser. We received $15.6 million in cash, net of selling costs, for the sale. As part of the transaction, we recorded a $1.7 million gain in other operating benefit, which reflected a reduction of $7.4 million in goodwill and $6.5 million in working capital. The economics business remains as a continuing operation and as such did not qualify as discontinued operations.

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4. SEGMENT INFORMATION

Our business is assessed and resources are allocated based on the following four reportable segments:

The **Disputes, Investigations & Economics** segment provides accounting, financial and economic analysis, as well as discovery support, data management and analytics, on a wide range of legal and business issues including disputes, investigations and regulatory matters. The clients of this segment are principally companies, along with their in-house counsel and law firms, as well as accounting firms, corporate boards and government agencies.

The **Financial, Risk & Compliance** segment provides strategic, operational, valuation, risk management, investigative and compliance consulting to clients in the highly regulated financial services industry, including major financial and insurance institutions. This segment also provides anti-corruption solutions and anti-money laundering, valuation and restructuring consulting, litigation support and tax compliance services to clients in a broad variety of industries.

The **Healthcare** segment provides strategic, operational, performance improvement and revenue cycle management solutions to clients across the healthcare landscape including health systems, physician practice groups, health insurance providers, government and life sciences companies. We assist clients on issues such as the shift to an outcomes and value-based reimbursements model, ongoing industry consolidation and reorganization, and the required implementation of a new medical coding system.

The **Energy** segment provides management advisory services to utility, government and commercial clients. We focus on creating value for our clients by assisting in their implementation of new business models and creating sustainable excellence on issues ranging from asset investment management, integrated resource planning, renewables, distributed generation, energy efficiency and outage management and restoration.

The following information includes segment revenues before reimbursements, segment total revenues and segment operating profit. Certain unallocated expense amounts related to specific reporting segments have been excluded from segment operating profit to be consistent with the information used by management to evaluate segment performance. Segment operating profit represents total revenues less costs of services excluding long-term compensation expense attributable to consultants. Long-term compensation expense attributable to consultants includes share-based compensation expense and compensation expense attributed to certain retention incentives (see Note 7 Share-based Compensation Expense and Note 8 Supplemental Consolidated Balance Sheet Information). During the year ended December 31, 2013, we disposed of a portion of our Financial, Risk & Compliance segment and the results of operations from the disposed business have been classified as discontinued operations. As such, the segment information reflects results of segment operations on a continuing basis (see Note 3 Dispositions and Discontinued Operations).

The information presented does not necessarily reflect the results of segment operations that would have occurred had the segments been stand-alone businesses.

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Information on the segment operations has been summarized as follows (in thousands):

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Revenues before reimbursements:				
Disputes, Investigations & Economics	$ 79,862	$ 75,366	$ 232,188	$ 228,693
Financial, Risk & Compliance	37,251	40,227	100,855	117,965
Healthcare	62,964	48,088	162,145	138,485
Energy	25,457	22,763	71,906	71,501
Total revenues before reimbursements	$ 205,534	$ 186,444	$ 567,094	$ 556,644
Total revenues:				
Disputes, Investigations & Economics	$ 85,518	$ 81,144	$ 250,046	$ 247,430
Financial, Risk & Compliance	44,878	48,668	121,100	142,936
Healthcare	69,035	53,721	179,877	155,295
Energy	30,708	28,074	84,961	85,100
Total revenues	$ 230,139	$ 211,607	$ 635,984	$ 630,761
Segment operating profit:				
Disputes, Investigations & Economics	$ 27,264	$ 25,738	$ 78,195	$ 76,948
Financial, Risk & Compliance	17,246	16,959	44,255	47,897
Healthcare	18,726	17,967	48,230	51,881
Energy	8,766	6,968	22,262	23,839
Total segment operating profit	72,002	67,632	192,942	200,565
Segment reconciliation to income from continuing operations before income tax (benefit) expense:				
Reconciling items:				
General and administrative expenses	34,067	33,914	101,406	99,036
Depreciation expense	5,116	4,122	14,378	11,952
Amortization expense	1,673	1,815	4,668	5,226
Other operating costs (benefit), net	(834)	(2,150)	117,811	(3,367)
Long-term compensation expense attributable to consultants (including share-based compensation expense)	2,327	3,353	8,627	11,498
Operating income (loss)	29,653	26,578	(53,948)	76,220
Interest and other expense, net	1,829	1,097	4,172	3,077
Income (loss) from continuing operations before income tax (benefit) expense	$ 27,824	$ 25,481	$ (58,120)	$ 73,143

Total assets allocated by segment include accounts receivable (net), certain retention-related prepaid assets, intangible assets and goodwill. The remaining assets are unallocated. Allocated assets by segment were as follows (in thousands):

	September 30, 2014	December 31, 2013
Disputes, Investigations & Economics	$ 337,433	$ 443,417
Financial, Risk & Compliance	99,066	89,498
Healthcare	287,829	173,066
Energy	105,811	101,851
Unallocated assets	104,510	96,365
Total assets	$ 934,649	$ 904,197

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5. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill consisted of (in thousands):

	September 30, 2014	December 31, 2013
Goodwill	$ 699,316	$ 620,768
Less - accumulated amortization	(5,425)	(5,425)
Less - accumulated goodwill impairment	(122,045)	
Goodwill, net	$ 571,846	$ 615,343

Changes made to our goodwill balances during the nine months ended September 30, 2014 and 2013 were as follows (in thousands):

	Disputes, Investigations & Economics	Financial, Risk & Compliance	Healthcare	Energy	Total Company
Goodwill, net as of January 1, 2013	$ 357,091	$ 56,982	$ 129,231	$ 76,628	$ 619,932
Acquisitions	4,273				4,273
Adjustments	(116)	2	(37)		(151)
Disposition	(7,350)	(1,485)			(8,835)
Foreign currency	(677)	(145)		(35)	(857)
Goodwill, net as of September 30, 2013	$ 353,221	$ 55,354	$ 129,194	$ 76,593	$ 614,362
Goodwill, net as of January 1, 2014	354,221	55,330	129,191	76,601	615,343
Acquisitions	3,100		76,034		79,134
Impairment	(122,045)				(122,045)
Adjustments	(116)	(26)	(9)		(151)
Foreign currency	(442)	12		(5)	(435)
Goodwill, net as of September 30, 2014	$ 234,718	$ 55,316	$ 205,216	$ 76,596	$ 571,846

We performed our annual goodwill impairment test as of May 31, 2014. The test is a two-step test. The first step compares the fair value of a reporting unit to its carrying value. The fair value is determined using a discounted cash flow analysis (income approach) and a comparable company analysis (market approach). The second step is performed only if the carrying value exceeds the fair value determined in step one.

We determine the fair value of a reporting unit by using an equal weighting of estimated fair value using the income and market approaches. The income approach uses estimated future cash flows and terminal values. Assumptions used to determine future cash flows include: forecasted growth rates; profit margins; longer-term historical performance and cost of capital. Our assumptions are consistent with our internal projections and operating plans. Our internal projections and operating plans and thus our estimated fair

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value may be impacted by the overall economic environment. Our assumptions may change as a result of, among other things: changes in our estimated business future growth rate; profit margin; long-term outlook; market valuations of comparable companies; the ability to retain key personnel; changes in operating segments; competitive environment and weighted average cost of capital. Under the market approach for determining fair value, we adopt certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk or the risks inherent in the inputs to the valuation. Inputs to the valuation can be readily observable, market-corroborated or unobservable. Wherever possible, we use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs; however, due to the use of our own assumptions about the inputs in measuring fair value, our goodwill impairment testing also makes use of significant unobservable inputs. The fair value of our reporting units is also impacted by our overall market capitalization and may be impacted by volatility in our stock price and assumed control premium, among other things.

If the carrying value exceeds the fair value determined in step one, step two is performed. Step two requires us to calculate the implied fair value of a reporting unit s goodwill. This is accomplished by performing a hypothetical purchase price allocation for the reporting unit as of the measurement date, similar to the purchase price allocation used when purchasing a new business. We estimate the fair value of the reporting unit s assets and liabilities and deem the residual fair value of the reporting unit as the implied fair value of the reporting unit s goodwill. To the extent that the implied fair value of goodwill is below our carrying value, an impairment is recorded to reduce the carrying value to the implied fair value. The resulting impairment may be significantly higher than the difference between the carrying value and fair value determined in step one as a result of fair value assigned to other assets and liabilities in the hypothetical purchase price allocation completed in step two.

The key assumptions used in our annual impairment test included: internal projections completed during our most recent quarterly forecasting process; profit margin improvement generally consistent with our longer-term historical performance; assumptions regarding contingent revenue; revenue growth rates consistent with our longer-term historical performance also considering our near term investment plans and growth objectives; discount rates that were determined based on comparable discount rates for our peer group; company specific risk considerations; and cost of capital based on our historical experience. Each reporting unit s estimated fair value depends on various factors including its expected ability to achieve profitable growth.

Based on our assumptions, the estimated fair value exceeded the net asset carrying value for our Healthcare, Energy and Financial, Risk & Compliance reporting units as of May 31, 2014. Accordingly, there was no indication of impairment of our goodwill for these reporting units. Healthcare, Energy and Financial, Risk & Compliance reporting units exceeded their net asset carrying values by 41%, 41% and 65%, respectively.

Based on our impairment test as of May 31, 2014, the estimated fair value of our Disputes, Investigations & Economics reporting unit was less than the net asset carrying value by approximately 1%. As such, we performed the second step of the goodwill impairment test on this reporting unit. The second step indicated that the current fair value of the reporting unit s identifiable intangible assets based upon the hypothetical purchase price allocation mentioned above significantly exceeded the carrying value of those assets. As such, a pre-tax goodwill impairment of $122.0 million was recorded as a separate line item within other operating costs (benefit) within the unaudited consolidated statements of comprehensive income (loss). The impairment was non-cash in nature and did not affect our current liquidity, cash flows, borrowing capability or operations; nor did it impact the debt covenants under our credit agreement. Additionally, we tested the intangible and tangible assets related to this reporting unit based on the related undiscounted future cash flows and concluded that no impairment for these assets existed.

Historically, our May 31, 2013 and 2012 impairment tests of our Disputes, Investigations & Economics indicated that the reporting unit exceeded its carrying value by 7% and 18%, respectively. Given the relatively lower percentage of excess of carrying value and the decreasing trend in the estimated fair value of this reporting unit, we indicated in previous periodic reports filed with the SEC that if the estimated fair value decreased in future periods, an impairment could result. Also, due to the relatively low excess carrying value, we have evaluated Disputes, Investigations, & Economics each quarter since our May 31, 2013 impairment test, and at the time, concluded that it was not more likely than not that the fair value of the reporting unit had fallen below the carrying value and as a result the two step impairment test was not performed prior to the May 2014 annual impairment test.

In completing our annual impairment test at May 31, 2014, we considered historical trends as we updated projections for the business. While Disputes, Investigations & Economics revenue before reimbursements (RBR) during the three months ended June 30, 2014 was consistent with the corresponding period in 2013 and segment operating profit as a percentage of RBR (margins) were slightly improved, the results were lower than assumed in previous projections. At the same time, declines in our most recent projections for the year ended December 31, 2014 indicated results were not expected to return to levels included in previous projections. As a result, as we finalized our longer term growth assumptions for Disputes, Investigations & Economics (as well as our other segments), we reduced our long-term RBR growth rates and also lowered our expectations for margin improvements in the future, partly due to the anticipated change in mix of services within the segment. We also considered contingent events not included

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in our projections that would potentially improve RBR and margin performance, and included those factors in our impairment test. However, the impact of lower long-term RBR and margin growth combined with these other contingent improvement considerations resulted in a lower overall projection from previous projections for the segment.

We have reviewed the reduced performance expectations of our most recent financial projections and considered the impact of changes to our business and market conditions on our goodwill valuation and determined that no events or conditions have occurred or are expected to occur that would trigger a need to perform an interim goodwill impairment test. In addition, we performed a sensitivity analysis based on current projections and evaluated various likelihoods of meeting the projections and the potential impact on the fair value. We will continue to monitor the factors and key assumptions used in determining the fair value of each of our reporting units. There can be no assurance that goodwill or intangible assets will not be further impaired in the future. We will perform our next annual goodwill impairment test on May 31, 2015.

As we review our portfolio of services in the future, we may exit certain markets or reposition certain service offerings within our business. Consistent with past evaluations, further evaluations may result in redefining our operating segments and may impact a significant portion of one or more of our reporting units. As noted above, if such actions occur, they may be considered triggering events that would result in our performing an interim impairment test of our goodwill and an impairment test of our intangible assets.

Intangible assets consisted of (in thousands):

	September 30, 2014	**December 31, 2013**
Intangible assets:		
Customer lists and relationships	$ 96,976	$ 79,514
Non-compete agreements	22,683	22,557
Other	27,388	24,297
Intangible assets, at cost	147,047	126,368
Less: accumulated amortization	(119,095)	(115,590)
Intangible assets, net	$ 27,952	$ 10,778

Our intangible assets have estimated remaining useful lives ranging up to ten years which approximate the estimated periods of consumption. We will amortize the remaining net book values of intangible assets over their remaining useful lives. During the nine months ended September 30, 2014, we acquired $18.0 million in intangible assets as part of our Cymetrix acquisition (see Note 2 Acquisitions). At September 30, 2014, our intangible assets consisted of the following (amounts in thousands, except year data):

Category	**Weighted Average Remaining Years**	**Amount**
Customer lists and relationships, net	6.6	$ 22,598
Non-compete agreements, net	3.9	1,544

Other intangible assets, net	3.2	3,810
Total intangible assets, net	6.0	$ 27,952

Below is the estimated annual aggregate amortization expense to be recorded for the remainder of 2014 and in future years related to intangible assets at September 30, 2014 (in thousands):

Year Ending December 31,	**Amount**
2014 (October - December)	$ 1,414
2015	7,255
2016	5,652
2017	4,326
2018	3,150
Thereafter	6,155
Total	$ 27,952

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6. NET INCOME (LOSS) PER SHARE (EPS)

The components of basic and diluted shares (in thousands and based on the weighted average days outstanding for the periods) are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Basic shares	48,736	49,573	48,856	49,970
Employee stock options	186	125		94
Restricted stock and restricted stock units	870	970		865
Contingently issuable shares	35	94		119
Diluted shares	49,827	50,762	48,856	51,048
Antidilutive shares (1)	93	275	1,362	442

(1) Stock options with exercise prices greater than the average market price of our common stock during the respective time periods were excluded from the computation of diluted shares because the impact of including the shares subject to these stock options in the diluted share calculation would have been antidilutive.

Due to a net loss applicable to common stockholders for the nine months ended September 30, 2014, we excluded 1,256 in potentially dilutive securities from the computation as their effect would have been antidilutive.

7. SHARE-BASED COMPENSATION EXPENSE

Share-based compensation expense is recorded for restricted stock, restricted stock units, stock options and the discount given on employee stock purchase plan transactions.

The following table shows the amounts attributable to each category (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Amortization of restricted stock and restricted stock unit awards	$ 1,681	$ 2,588	$ 6,363	$ 7,350
Amortization of stock option awards	186	175	572	653
Discount given on employee stock purchase transactions through our Employee Stock Purchase Plan	63	53	231	191
Total share-based compensation expense	$ 1,930	$ 2,816	$ 7,166	$ 8,194

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Total share-based compensation expense consisted of the following (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Cost of services before reimbursable expenses	$ 1,215	$ 1,532	$ 3,840	$ 4,362
General and administrative expenses	715	1,284	3,326	3,832
Total share-based compensation expense	$ 1,930	$ 2,816	$ 7,166	$ 8,194

Share-based compensation expense attributable to consultants was included in cost of services before reimbursable expenses. Share-based compensation expense attributable to corporate management and support personnel was included in general and administrative expenses. Amounts are presented on a continuing operations basis.

At September 30, 2014, we had $13.5 million of total compensation costs related to unvested stock-based awards that have not been recognized as share-based compensation expense. The compensation costs will be recognized as an expense over the remaining vesting periods. The weighted average remaining vesting period is approximately 2 years. During the nine months ended September 30, 2014, we granted an aggregate of 841,222 shares underlying restricted stock unit and stock option awards with an aggregate fair value of $14.2 million at the time of grant. These grants include certain awards that vest based on relative achievement of pre-established performance criteria.

8. SUPPLEMENTAL CONSOLIDATED BALANCE SHEET INFORMATION

Accounts Receivable, net

The components of accounts receivable were as follows (in thousands):

	September 30, 2014	December 31, 2013
Billed amounts	$ 149,037	$ 121,335
Engagements in process	75,352	55,650
Allowance for uncollectible accounts	(11,682)	(9,919)
Accounts receivable, net	$ 212,707	$ 167,066

Receivables attributable to engagements in process represent balances for services that have been performed and earned but have not been billed to the client. Services are generally billed on a monthly basis for the prior month s services. Our allowance for uncollectible accounts is based on historical experience and management judgment and may change based on market conditions or specific client circumstances. During the nine months ended September 30, 2014, we acquired $11.3 million in accounts receivable as part of the Cymetrix acquisition (see Note 2 Acquisitions).

Prepaid Expenses and Other Current Assets

The components of prepaid expenses and other current assets were as follows (in thousands):

	September 30, 2014	December 31, 2013
Notes receivable - current	$ 4,236	$ 4,906
Prepaid recruiting and retention incentives	9,260	8,001
Other prepaid expenses and other current assets	11,735	11,647
Prepaid expenses and other current assets	$ 25,231	$ 24,554

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Other Assets

The components of other assets were as follows (in thousands):

	September 30, 2014	December 31, 2013
Notes receivable - non-current	$ 3,932	$ 7,155
Capitalized client-facing software	3,887	5,586
Prepaid recruiting and retention incentives - non-current	8,434	6,773
Prepaid expenses and other non-current assets	5,239	3,322
Other assets	$ 21,492	$ 22,836

Notes receivable represent unsecured employee loans. These loans were issued to recruit or retain certain senior-level consultants. The principal amount and accrued interest on these loans is either paid by the consultant or forgiven by us over the term of the loans so long as the consultant remains continuously employed by us and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is amortized as compensation expense over the service period, which is consistent with the term of the loans.

Capitalized client-facing software is marketed or licensed to our clients. These amounts are amortized into cost of services before reimbursable expenses over their estimated remaining useful life. During the nine months ended September 30, 2014 and 2013, we capitalized and acquired $2.4 million and $2.5 million, respectively, in client-facing software. In addition, during the nine months ended September 30, 2014, we transferred $3.0 million of developed software into property and equipment, net due to a change in scope for its use.

Prepaid recruiting and retention incentives include sign-on and retention bonuses that are generally recoverable from an employee if the employee terminates employment prior to fulfilling his or her obligations to us. These amounts are amortized as compensation expense over the period in which they are recoverable from the employee, generally in periods up to six years. During the nine months ended September 30, 2014 and 2013, we granted $11.2 million and $5.9 million, respectively, of sign-on and retention bonuses, which have been included in current and non-current prepaid recruiting and retention incentives.

Property and Equipment, net

Property and equipment, net consisted of (in thousands):

	September 30, 2014	December 31, 2013
Furniture, fixtures and equipment	$ 69,164	$ 62,486
Software	61,591	43,867
Leasehold improvements	30,373	32,416
Property and equipment, at cost	161,128	138,769

Less: accumulated depreciation and amortization	(104,944)	(94,431)
Property and equipment, net	$ 56,184	$ 44,338

During the nine months ended September 30, 2014, we invested $13.4 million in our technology infrastructure and software, including $3.6 million paid in cash for additions accrued in prior years. Additionally, we disposed of $3.8 million in fully depreciated assets. In addition, we added $11.8 million as part of the Cymetrix acquisition (see Note 2 Acquisitions) and transferred $3.0 million from client-facing software included in other assets due to a change in scope for the use of the developed product.

Other Current Liabilities

The components of other current liabilities were as follows (in thousands):

	September 30, 2014	December 31, 2013
Deferred acquisition liabilities	$ 6,956	$ 5,773
Deferred revenue	14,759	19,503
Deferred rent - short term	3,050	997
Other current liabilities	5,699	5,736
Total other current liabilities	$ 30,464	$ 32,009

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The deferred acquisition liabilities at September 30, 2014 consisted of cash obligations related to definitive and contingent purchase price considerations recorded at net present value. During the nine months ended September 30, 2014, we made cash payments of $1.2 million in connection with deferred acquisition liabilities relating to prior period acquisitions and added an additional $1.6 million of deferred acquisition liabilities relating to acquisitions made during the period (see Note 2 Acquisitions). Additionally, we reduced the fair value of certain current deferred contingent acquisition liabilities by $0.4 million during the same period (see Note 12 Fair Value). During the nine months ended September 30, 2014, $2.6 million relating to accrued incentive compensation liabilities for the 2013 performance year was recorded as additional paid-in capital at the time of grant of certain restricted stock units in 2014.

The current portion of deferred rent relates to rent allowances and incentives on lease arrangements for our office facilities that expire at various dates through 2025.

Deferred revenue represents advance billings to our clients for services that have not yet been performed and earned.

Other Non-Current Liabilities

The components of other non-current liabilities were as follows (in thousands):

	September 30, 2014	December 31, 2013
Deferred acquisition liabilities	$ 25,050	$ 8,038
Deferred rent - long term	8,598	10,642
Other non-current liabilities	3,019	7,336
Total other non-current liabilities	$ 36,667	$ 26,016

The deferred acquisition liabilities at September 30, 2014 consisted of cash obligations related to definitive and contingent purchase price considerations recorded at net present value. As obligations become payable within the year, these cash obligations are moved to other current liabilities. During the nine months ended September 30, 2014, we reduced the fair value of certain non-current deferred contingent acquisition liabilities by $4.0 million, added $20.3 million relating to the Cymetrix acquisition and $0.6 million relating to other acquisitions in deferred acquisition liabilities (see Note 2 Acquisitions and Note 12 Fair Value).

The long-term portion of deferred rent relates to rent allowances and incentives on lease arrangements for our office facilities that expire at various dates through 2025.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the activity in accumulated other comprehensive loss (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Unrealized gain (loss) on foreign exchange:				
Balance at beginning of period	$ (8,437)	$ (14,503)	$ (9,129)	$ (8,418)
Unrealized gain (loss) on foreign exchange	(950)	4,741	(258)	(1,344)
Balance at end of period	$ (9,387)	$ (9,762)	$ (9,387)	$ (9,762)
Unrealized gain (loss) on derivatives:				
Balance at beginning of period	$ (169)	$ (212)	$ (212)	$ (306)
Unrealized gain (loss) on derivatives	5	(58)	(29)	(22)
Reclassified to interest expense	121	62	249	158
Income tax expense	(49)	(25)	(100)	(63)
Balance at end of period	$ (92)	$ (233)	$ (92)	$ (233)

	2014	2013	2014	2013
Accumulated other comprehensive loss at September 30,	$ (9,479)	$ (9,995)	$ (9,479)	$ (9,995)

10. DERIVATIVES AND HEDGING ACTIVITY

During the nine months ended September 30, 2014, the following interest rate derivatives were outstanding (summarized based on month of execution):

Month executed	Number of Contracts	Beginning Date	Maturity Date	Rate	Total Notional Amount (millions)
November 2011	1	May 31, 2012	May 31, 2015	0.98%	$ 10.0
December 2011	2	December 31, 2012	December 31, 2015	1.17%	$ 10.0
March 2012	1	June 29, 2012	June 30, 2015	1.01%	$ 5.0
May 2012	1	June 28, 2013	May 27, 2016	1.15%	$ 5.0
July 2014	5	July 11, 2014	July 11, 2017	1.10%	$ 30.0

We expect the interest rate derivatives to be highly effective against changes in cash flows related to changes in interest rates and have recorded the derivatives as a cash flow hedge. As a result, gains or losses related to fluctuations in the fair value of the interest rate derivatives are recorded as a component of accumulated other comprehensive (loss) income and reclassified into interest

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expense as the variable interest expense on our bank debt is recorded. There was no ineffectiveness related to the interest rate derivatives during the nine months ended September 30, 2014. During each of the nine months periods ended September 30, 2014 and 2013, we recorded $0.2 million in interest expense associated with differentials received or paid under the interest rate derivatives.

11. BANK DEBT

Our credit agreement provides a $400.0 million revolving credit facility. At our option, subject to the terms and conditions specified in the credit agreement, we may elect to increase the commitments under the credit facility up to an aggregate amount of $500.0 million. The credit facility becomes due and payable in full upon maturity in September 2018. Borrowings and repayments under the credit facility may be made in multiple currencies including U.S. Dollars, Canadian Dollars, United Kingdom Pound Sterling and Euro.

At September 30, 2014, we had aggregate borrowings outstanding of $158.0 million, compared to $56.7 million at December 31, 2013. Based on our financial covenants at September 30, 2014, approximately $220 million in additional borrowings were available to us under the credit facility. At September 30, 2014, we had $8.1 million of unused letters of credit under our credit facility, which have been included as a reduction in the available borrowings above. The letters of credit are primarily related to the requirements of certain lease agreements for office space.

At our option, borrowings under the credit facility bear interest at a variable rate equal to an applicable base rate or LIBOR, in each case plus an applicable margin. For LIBOR loans, the applicable margin varies depending upon our consolidated leverage ratio (the ratio of total funded debt to adjusted EBITDA, as defined in the credit agreement). At September 30, 2014, the applicable margins on LIBOR and base rate loans were 1.25% and 0.25%, respectively. Depending upon our performance and financial condition, our LIBOR loans have applicable margins varying between 1.00% and 2.00%, and our base rate loans have applicable margins varying between zero and 1.00%. Our average borrowing rate (including the impact of our interest rate derivatives; see Note 10 Derivatives and Hedging Activity) was 2.2% and 2.6% for the three months ended September 30, 2014 and 2013, respectively, and 2.3% and 2.5% for the nine months ended September 30, 2014 and 2013, respectively.

Our credit agreement contains certain financial covenants, including covenants that require that we maintain a consolidated leverage ratio of not greater than 3.25:1 (except for the first quarter of each calendar year when the covenant requires us to maintain a consolidated leverage ratio of not greater than 3.5:1) and a consolidated interest coverage ratio (the ratio of the sum of adjusted EBITDA (as defined in the credit agreement) and rental expense to the sum of cash interest expense and rental expense) of not less than 2.0:1. At September 30, 2014, under the definitions in the credit agreement, our consolidated leverage ratio was 1.4 and our consolidated interest coverage ratio was 5.2. In addition, the credit agreement contains customary affirmative and negative covenants (subject to customary exceptions), including covenants that limit our ability to incur liens or other encumbrances, make investments, incur indebtedness, enter into mergers, consolidations and asset sales, change the nature of our business and engage in transactions with affiliates, as well as customary provisions with respect to events of default. We were in compliance with the terms of our credit agreement at September 30, 2014; however, there can be no assurances that we will remain in compliance in the future.

12. FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The inputs used to measure fair value are classified into the following hierarchy:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3: Unobservable inputs for the asset or liability

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Our interest rate derivatives (see Note 10 Derivatives and Hedging Activity) are valued using counterparty quotations in over-the-counter markets. In addition, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty s nonperformance risk. The credit valuation adjustments associated with our interest rate derivatives utilize unobservable inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by ourselves and our counterparties. However, at September 30, 2014, we assessed the significance of the impact on the overall valuation and believe that these adjustments are not significant. As such, our interest rate derivatives are classified within Level 2.

In certain instances our acquisitions provide for deferred contingent acquisition payments. These deferred payments are recorded at fair value at the time of acquisition and are included in other current and/or non-current liabilities on our consolidated balance sheets. We estimate the fair value of our deferred contingent acquisition liabilities using a probability-weighted discounted cash flow model. This fair value measure is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Fair value measurements characterized within Level 3 of the fair value hierarchy are measured based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value.

The significant unobservable inputs used in the fair value measurements of our deferred contingent acquisition liabilities are our measures of the future profitability and related cash flows and discount rates. The fair value of our deferred contingent acquisition liabilities is reassessed on a quarterly basis based on assumptions provided to us by segment and business area leaders in conjunction with our business development and finance departments. Any change in the fair value estimate is recorded in the earnings of that period. During the nine months ended September 30, 2014, we recorded $4.4 million in other operating benefit for a reduction in the liability reflecting changes in the fair value estimate of the deferred contingent consideration for certain acquisitions made in 2013 and 2012 (see Note 2 Acquisitions). The following table summarizes the changes in the deferred contingent consideration liabilities (in thousands):

	For the nine months ended September 30,	
	2014	**2013**
Beginning Balance	$ 6,322	$ 13,384
Acquisitions	20,285	1,017
Accretion of acquisition-related contingent consideration	1,383	379
Remeasurement of acquisition-related contingent consideration	(4,438)	(2,000)
Payments	(107)	(3,287)
Ending Balance	$ 23,445	$ 9,493

At September 30, 2014, the carrying value of our bank debt approximated fair value as it bears interest at variable rates. We consider the recorded value of our other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at September 30, 2014 based upon the short-term nature of the assets and liabilities.

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The following table summarizes our financial liabilities measured at fair value on a recurring basis at September 30, 2014 and December 31, 2013 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
At September 30, 2014							
Interest rate derivatives, net	$	$	155	$		$	155
Deferred contingent acquisition liabilities	$	$		$	23,445	$	23,445
At December 31, 2013							
Interest rate derivatives, net	$	$	355	$		$	355
Deferred contingent acquisition liabilities	$	$		$	6,322	$	6,322

13. OTHER OPERATING COSTS (BENEFIT)

Contingent Acquisition Liability Adjustment

During the three months ended September 30, 2014 and 2013, we recorded benefits of $0.8 million and $2.0 million, respectively, relating to fair value adjustments to our deferred contingent acquisition liabilities. Contingent acquisition liabilities are initially estimated based on expected performance at the acquisition date and subsequently reviewed each quarter (see Note 12 Fair Value).

During the nine months ended September 30, 2014 and 2013, we recorded benefits of $4.4 million and $2.0 million, respectively, relating to fair value adjustments to our deferred contingent acquisition liabilities.

Office consolidation

During the three months ended September 30, 2013, we recorded a benefit of $0.2 million for earlier-than-anticipated sublease income related to one previously vacated office space in 2013.

During the nine months ended September 30, 2013, in addition to the benefit mentioned above, we recorded $0.5 million of additional depreciation expense relating to the consolidation of two office spaces.

Gain on disposition of asset

During the nine months ended September 30, 2013, we recorded a $1.7 million gain relating to the January 31, 2013 sale of a portion of our economics business within our Disputes, Investigations & Economics segment (see Note 3 Disposition and Discontinued Operations).

Goodwill impairment

During the nine months ended September 30, 2014, we recorded a pre-tax goodwill impairment of $122.0 million (see Note 5 Goodwill and Intangible Assets, net).

Other impairment

During the nine months ended September 30, 2014, we recorded a $0.2 million impairment on software that is no longer being utilized by our consultants for client engagements.

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

This Management s Discussion and Analysis of Financial Condition and Results of Operations relates to, and should be read in conjunction with, our unaudited consolidated financial statements included elsewhere in this report.

Overview

We are an independent specialized, global professional services firm that combines deep industry knowledge with broad technical expertise. We focus on industries and clients facing transformational change and significant regulatory and legal issues. We serve clients primarily in the healthcare, energy, construction and financial services sectors which represent highly complex regulatory environments. Our professional service offerings include strategic, financial, operational, technology, risk management, compliance, investigative solutions, dispute resolution services and revenue cycle management. The nature of our services, as well as our clients demand for our services, are impacted not only by these regulatory and structural changes, but also by the United States and global economies and other significant events specific to our clients.

Our clients demand for our services ultimately drives our revenues and expenses. We derive our revenues from fees on services provided. The majority of our revenues are generated on a time and materials basis, though we also have engagements where fees are a fixed amount (either in total or for a period of time). We may also earn incremental revenues, in addition to hourly or fixed fees, which are contingent on the attainment of certain contractual milestones or objectives. We also recognize revenues from business referral fees or commissions on certain contractual outcomes. These performance-based and referral revenues may cause unusual variations in our quarterly revenues and results of operations. Revenue is also earned on a per unit or subscription basis. Regardless of the terms of our fee arrangements, our ability to earn those fees is reliant on deploying consultants with the experience and expertise to deliver services.

Our most significant expense is consultant compensation, which includes salaries, incentive compensation, amortization of sign-on and retention incentive payments, share-based compensation and benefits. Consultant compensation is included in cost of services before reimbursable expenses, in addition to sales and marketing expenses and the direct costs of recruiting and training consultants.

Our most significant overhead expenses are administrative compensation and benefits and office-related expenses. Administrative compensation includes salaries, incentive compensation, share-based compensation and benefits for corporate management and administrative personnel that indirectly support client engagements. Office-related expenses primarily consist of rent for our offices. Other administrative costs include bad debt expense, marketing, technology, finance and human capital management.

Because our ability to derive fees is largely reliant on the hiring and retention of personnel, the average number of full-time equivalents (FTE) and our ability to keep consultants utilized are important drivers of the business. The average number of FTE is adjusted for part-time status and takes into account hiring and attrition which occurred during the reporting period. Our average utilization rate as defined below provides a benchmark for how well we are managing our FTE levels in response to changing demand.

While hiring and retention of personnel are key to driving revenues, FTE levels and related consultant compensation in excess of demand drive additional costs that can negatively impact margin. From time to time, we hire independent contractors to supplement our consultants on certain engagements, which allows us to adjust staffing in response to changes in demand for our services, and manage our costs accordingly.

In connection with recruiting activities and business acquisitions, our general policy is to obtain non-solicitation covenants from senior and some mid-level consultants. Most of these covenants have restrictions that extend 12 months beyond the termination of employment. We utilize these contractual agreements and other agreements to reduce the risk of attrition and to safeguard our existing clients, staff and projects.

We periodically review and adjust our consultants total compensation (including salaries, annual cash incentive compensation, other cash and share-based compensation, and benefits) to ensure that it is competitive within the industry and is consistent with our performance. We also monitor and adjust our bill rates according to then-current market conditions for our service offerings and within the various industries we serve.

In addition to investing in human capital resources, we invest in technology-related tools to derive services to provide further value to current and future clients as our business models change.

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Acquisitions

On May 14, 2014, we acquired Cymetrix, a privately held revenue cycle management firm that specialized in providing services to hospital and healthcare networks. The acquisition added approximately 600 employees mainly to the Technology, Data & Process group within our Healthcare segment.

Further information regarding the purchase price, purchase price allocation and other details of significant businesses acquired can be found in Note 2 Acquisitions to the notes to our unaudited consolidated financial statements. Any material impact our acquisitions may have had on our results from operations or segment results for the periods presented have been included in our discussion below.

Dispositions and Discontinued Operations

During the year ended December 31, 2013, we had two dispositions. We sold the United Kingdom financial services advisory business within our Financial, Risk & Compliance segment. All significant cash flows from this business were eliminated, and we have no continuing involvement in the operations of this business. As such, in accordance with ASC Topic 205, all operations of this disposed business were reflected as discontinued operations. In addition, we sold a portion of the economics business within our Disputes, Investigations & Economics segment. In accordance with ASC Topic 205, we consider the economics business within this segment to be continuing.

Additional information regarding these dispositions, including the required disclosures under ASC Topic 205, may be found in Note 3 Dispositions and Discontinued Operations to the notes to our unaudited consolidated financial statements.

Prior period results have been reclassified to reflect continuing operations only unless otherwise stated.

Key Operating Metrics

The following key operating metrics provide additional operating information related to our continuing business and reporting segments. These key operating metrics may not be comparable to similarly-titled metrics at other companies. Our Technology, Data & Process businesses are comprised of technology enabled professional services, including e-discovery services and data analytics, technology solutions and data services, revenue cycle management and insurance claims processing, market research and benchmarking businesses.

Average FTE is our average headcount during the reporting period adjusted for part-time status. Average FTE is further split between the following categories:

Client Service FTE combination of Consulting FTE and Technology, Data & Process FTE defined as follows:

Consulting FTE individuals assigned to client services who record time to client engagements; and

Technology, Data & Process FTE individuals in businesses primarily dedicated to maintaining and delivering the services described above and are not included in average bill rate and average utilization metrics described below.

Non-billable FTE individuals assigned to administrative and support functions, including office services, corporate functions and certain practice support functions.

Period-end FTE represents our headcount at the last day of the reporting period adjusted for part-time status. Consulting, Technology, Data & Process and Non-billable criteria also apply to period-end FTE.

Average bill rate is calculated by dividing fee revenues before certain adjustments such as discounts and markups, by the number of hours associated with the fee revenues. Fee revenues and hours billed on performance-based services and related to Technology, Data & Process FTE are excluded from average bill rate.

Average utilization rate is calculated by dividing the number of hours of our Consulting FTE who recorded time to client engagements during a period, by the total available working hours for these consultants during the same period (1,850 hours annually).

Billable hours are the number of hours our Consulting FTE recorded time to client engagements during the reporting period.

Segment operating profit represents total revenues less costs of services excluding long-term compensation expense attributable to consultants. Long-term compensation expense attributable to consultants includes share-based compensation expense and compensation expense attributable to retention incentives.

All FTE, utilization and average bill rate metric data provided in this report exclude the impact of independent contractors and project employees.

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Results of Operations

Results for the three and nine months ended September 30, 2014 compared to the three and nine months ended September 30, 2013

	For the three months ended September 30,		2014 over 2013 Increase (Decrease) Percentage	For the nine months ended September 30,		2014 over 2013 Increase (Decrease) Percentage
	2014	2013		2014	2013	
Key operating metrics:						
Average FTE						
-Consulting	1,567	1,522	3.0	1,557	1,517	2.6
-Technology, Data & Process	1,168	477	144.9	851	432	97.0
-Non-billable	601	529	13.6	572	534	7.1
Period end FTE						
-Consulting	1,592	1,534	3.8	1,592	1,534	3.8
-Technology, Data & Process	1,199	489	145.2	1,199	489	145.2
-Non-billable	604	529	14.2	604	529	14.2
Average bill rate	$ 283	$ 278	1.8	$ 281	$ 277	1.4
Utilization	74%	73%	1.4	75%	76%	(1.3)

Overview. During the three months ended September 30, 2014 and 2013, we reported $16.3 million and $13.5 million in net income from continuing operations, respectively. Revenues before reimbursements (RBR) increased 10.2% for the three months ended September 30, 2014 compared to the corresponding period in 2013. The increase was mainly a result of the acquisition of Cymetrix in May 2014 within our Healthcare segment (see Note 2 Acquisitions to the notes to our unaudited consolidated financial statements) partially offset by a year-over-year decline in our Financial, Risk & Compliance segment. In addition, we had a 24.1% and 77.5% increase in depreciation expense and interest expense, respectively, for the three months ended September 30, 2014 compared to the corresponding period in 2013. For the three months ended September 30, 2014 and 2013, we had other operating benefits related to adjustments to our deferred contingent acquisition liabilities of $0.8 million and $2.0 million, respectively.

During the nine months ended September 30, 2014 and 2013, we reported a $49.2 million net loss from continuing operations and $40.9 million in net income from continuing operations, respectively. During the three months ended June 30, 2014, we recorded a goodwill impairment in other operating cost (benefit) of $122.0 million relating to our Disputes, Investigations & Economics segment. For further discussion regarding the impairment, see our segment discussion below and Note 5 Goodwill and Intangible Assets, net to the notes to our unaudited consolidated financial statements. RBR and cost of services before reimbursements increased 1.9% and 4.1%, respectively, for the nine months ended September 30, 2014 compared to the corresponding period mainly due to the acquisition of Cymetrix. General and administrative expenses increased 2.4 % during the nine months ended September 30, 2014 compared to the corresponding period in 2013. The nine months ended September 30, 2014 and 2013 benefited from a $4.4 million and $2.0 million adjustment, respectively, to our deferred contingent acquisition liabilities. The nine months ended September 30, 2013 benefited from a $1.7 million gain from the sale of a portion of our economics business within our Disputes, Investigations & Economics segment (see Note 3 Dispositions and Discontinued Operations to the notes to our unaudited consolidated financial statements). In addition, depreciation expense increased 20.3% while amortization expense decreased 10.7% and interest expense increased 19.7% for the nine months ended September 30, 2014 compared to the corresponding period in 2013.

Operating results and segment information are discussed in further detail below.

Revenues before Reimbursements. For the three months ended September 30, 2014, RBR increased 10.2% compared to the corresponding period in 2013. During the three months ended June 30, 2014, we acquired Cymetrix (see Note 2 Acquisitions to the notes to our unaudited consolidated financial statements). Including the impact of our acquisitions on a pro forma basis, RBR increased 1.0% for the three months ended September 30, 2014 compared to the corresponding period in 2013. For further discussion of RBR, see segment results below.

RBR included $0.3 million of performance-based fees for the three months ended September 30, 2014, compared to $1.2 million in the corresponding period in 2013.

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Utilization levels for the three months ended September 30, 2014 and 2013 were 74% and 73%, respectively. Average bill rate increased 1.8% to $283 during the same period. Average FTE Consulting increased 3.0% for the three months ended September 30, 2014 compared to the corresponding period in 2013 mainly due to hiring within the Healthcare, Financial, Risk & Compliance and Energy segments offset by planned and unplanned attrition within the Disputes, Investigations & Economics segment. Average FTE Technology, Data & Process increased 144.9% mainly due to our May 2014 acquisition of Cymetrix, which added 595 Average FTE. We also made additional technology-related hires to support physician revenue cycle management engagements.

For the nine months ended September 30, 2014, RBR increased 1.9% compared to the corresponding period in 2013. Including the impact of our acquisitions on a pro forma basis, RBR decreased 3.3% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. For further discussion of RBR, see segment results below.

RBR included $0.3 million of performance-based fees for the nine months ended September 30, 2014, compared to $3.3 million in the corresponding period in 2013. The decrease was primarily associated with our Healthcare and Financial, Risk & Compliance segments.

Utilization levels for the nine months ended September 30, 2014 and 2013 were 75% and 76%, respectively. Average bill rate increased 1.4% to $281 during the same period. Average FTE Consulting increased 2.6% for the nine months ended September 30, 2014 compared to the corresponding period in 2013 mainly due to hiring within the Healthcare segment offset by planned and unplanned attrition within the Disputes, Investigations & Economics segment. Average FTE Technology, Data & Process increased 97.0% mainly due to the acquisition of Cymetrix, which added 294 (due to partial period of ownership averaged over the nine month period) Average FTE.

Cost of Services before Reimbursable Expenses. Cost of services before reimbursable expenses increased 11.2% for the three months ended September 30, 2014 compared to the corresponding period in 2013. The increase was mainly due to the acquisition of Cymetrix, an increase in wages and benefits relating to FTE hires within the Healthcare segment, and recruiting costs. These increases were partially offset by lower compensation costs associated with the Financial, Risk & Compliance segment, lower performance-based incentive compensation and lower share-based compensation (see Note 7 Share-based Compensation to the notes to the unaudited consolidated financial statements). Severance expense relating to client service FTE for the three months ended September 30, 2014 and 2013 was $0.5 million and $0.3 million, respectively.

Cost of services before reimbursable expenses increased 4.1% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. The increase was mainly due to reasons discussed above. Severance expense relating to client service FTE for the nine months ended September 30, 2014 and 2013 was $2.7 million and $3.7 million, respectively.

General and Administrative Expenses. General and administrative expenses increased 0.5% for the three months ended September 30, 2014 compared to the corresponding period in 2013. The increase was mainly a result of incremental general and administrative costs relating to our acquisition of Cymetrix. In addition, bad debt expense for the three months ended September 30, 2014 and 2013 was $1.5 million and $0.8 million, respectively. The increase was partially offset by lower facilities and legal expenses and lower incentive compensation. Average non-billable FTE related to general and administrative expenses for the three months ended September 30, 2014 and 2013 was 545 and 474, respectively, due, in part to Cymetrix which added 46 non-billable FTE. General and administrative expenses were 16.6% and 18.2% of RBR for the three months ended September 30, 2014 and 2013, respectively, due to lower facilities, meeting, legal and incentive compensation expenses partially offset by higher bad debt expense and incremental general and administrative expenses relating to acquisitions.

General and administrative expenses increased 2.4% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. The increase was mainly a result of incremental general and administrative costs relating to our acquisition of Cymetrix; higher acquisition-related costs which were $1.8 million and $0.5 million for the nine months ended September 30, 2014 and 2013, respectively; and higher information technology costs, accounting expense and bad debt expense. Bad debt expense for the nine months ended September 30, 2014 and 2013 was $4.3 million and $2.1 million, respectively. These increases were partially offset by a decrease in facilities expense, meeting expense, legal expense and lower wages expense due to the departure of certain senior corporate management personnel in 2013 and lower incentive compensation in 2014. The nine months ended September 30, 2013 also benefited from a large collection of previously reserved accounts receivable balances. Average non-billable FTE related to general and administrative expenses for the nine months ended September 30, 2014 compared to the corresponding period in 2013 was 519 and 478, respectively. General and administrative expenses were 17.9% and 17.8% of RBR for the nine months ended September 30, 2014 and 2013, respectively.

Depreciation Expense. The increase in depreciation expense of 24.1% and 20.3% for the three and nine months ended September 30, 2014 compared to the corresponding periods in 2013 was primarily due to recent acquisitions and increased technology infrastructure spending.

Amortization Expense. Amortization expense decreased 7.8% and 10.7% for the three and nine months ended September 30, 2014, respectively, compared to the corresponding periods in 2013. The decrease was due mainly to reduced amortization associated

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with certain intangible assets which became fully amortized as their useful lives came to term. Amortization expense for the three and nine months ended September 30, 2014 compared to the corresponding period in 2013 was also impacted by the acquisition of Cymetrix.

Other Operating Benefit Contingent acquisition liability adjustment. During the three and nine months ended September 30, 2014, we recorded benefits of $0.8 million and $4.4 million, respectively, relating to fair value adjustments to our deferred contingent acquisition liabilities. Similarly, during the nine months ended September 30, 2013, we recorded a benefit of $2.0 million relating to a fair value adjustment to our deferred contingent liabilities (see Note 12 Fair Value to the notes to the unaudited consolidated financial statements).

Other Operating Costs Office consolidation. During the three months ended September 30, 2013, we recorded a benefit of $0.2 million for earlier-than-anticipated sublease income related to one previously vacated office space in 2013.

During the nine months ended September 30, 2013, in addition to the benefit mentioned above, we recorded $0.5 million of additional depreciation expense relating to the consolidation of two office spaces.

On October 1, 2014, we took possession of our new office space located in New York, New York. Due to construction time, we will have duplicate rent as we continue to occupy the existing offices which are to be consolidated into the new space upon completion of the build-out.

Other Operating Benefit Gain on disposition of assets. During the nine months ended September 30, 2013, we recorded a $1.7 million gain relating to the January 31, 2013 sale of a portion of our economics business within our Disputes, Investigations & Economics segment. The gain reflected proceeds of $15.6 million in cash, net of selling expenses, and a reduction of $6.5 million of working capital and $7.4 million of goodwill (see Note 3 Disposition and Discontinued Operations to the notes to our unaudited consolidated financial statements).

Other Operating Costs Goodwill impairment. During the nine months ended September 30, 2014, we performed our annual goodwill impairment test. Based upon the results of the two-step test, a pretax goodwill impairment of $122.0 million was recorded. For further details see Note 5 Goodwill and Intangible Assets, net to the notes to our unaudited consolidated financial statements.

Other Operating Costs Other impairment. During the nine months ended September 30, 2014, we recorded a $0.2 million impairment on software that is no longer being utilized by our consultants for client engagements.

Interest Expense. Interest expense increased 77.5% or $0.8 million and 19.7% or $0.7 million for the three and nine months ended September 30, 2014 compared to the corresponding period in 2013, respectively. The increase was mainly due to the incremental imputed interest relating to the contingent acquisition liability for Cymetrix recorded at net present value and higher average borrowings partially due to the Cymetrix acquisition for the three and nine months ended September 30, 2014 compared to the corresponding period in 2013.

Our average borrowing rates under our credit facility, including the impact of our interest rate derivatives (see Note 10 Derivatives and Hedging Activity to the notes to our unaudited consolidated financial statements), were 2.2% and 2.6% for the three months ended September 30, 2014 and 2013, respectively, and 2.3% and 2.5% for the nine months ended September 30, 2014 and 2013, respectively (see Note 11 Bank Debt to the notes to our unaudited consolidated financial statements for further information on borrowings under our credit facility).

Income Tax Expense. Our effective income tax rate fluctuates based on the mix of income earned in various tax jurisdictions, including U.S. state and federal and foreign jurisdictions, which have different income tax rates as well as various book-to-tax permanent differences. It is also affected by discrete items which may not be consistent from year to year.

The effective tax rate from continuing operations for the three months ended September 30, 2014 and 2013 was 41.6% and 46.9%, respectively. The decrease in rates between periods is due to increased earnings in certain foreign jurisdictions where the statutory rates are significantly lower than the U.S. Federal statutory rate and the utilization of certain foreign deferred income tax valuation allowances established in 2013, which primarily drove the higher tax rate in the prior year.

The effective tax rate for the nine months ended September 30, 2014 is not comparable to the prior period due to the impact of a goodwill impairment of approximately $122.0 million related to both tax deductible and non-tax deductible components of goodwill. The impairment reduced income tax expense for the nine months ended September 30, 2014 by approximately $35.1 million.

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The effective tax rate excluding the goodwill impairment from continuing operations for the nine months ended September 30, 2014 and 2013 would have been 41.0% and 44.1%, respectively. The decrease in rates between periods is attributable to increased earnings in certain foreign jurisdictions, including the utilization of foreign deferred income tax valuation allowances.

Income (loss) from Discontinued Operations, net of tax. Income from discontinued operations, net of tax was zero for the three months ended September 30, 2014 compared to a loss of $3.3 million for the corresponding period in 2013. Income from discontinued operations, net of tax was $0.5 million for the nine months ended September 30, 2014 compared to a loss of $2.9 million for the corresponding period in 2013. During the year ended December 31, 2013, we sold the United Kingdom financial services advisory business within our Financial, Risk & Compliance segment. In connection with the sale, during the nine months ended September 30, 2014, we received payment in full for a holdback receivable which we had partially reserved for possible working capital adjustments (see Note 3 Dispositions and discontinued operations to the notes to our unaudited financial statements for further details on our discontinued operations).

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Segment Results

Based on their size and importance, our operating segments are the same as our reporting segments. Our performance is assessed and resources are allocated based on the following four reporting segments:

Disputes, Investigations & Economics

Financial, Risk & Compliance

Healthcare

Energy

The following information includes segment revenues before reimbursements, segment total revenues and segment operating profit. Certain unallocated expense amounts related to specific reporting segments have been excluded from the calculation of segment operating profit to be consistent with the information used by management to evaluate segment performance (see Note 4 Segment Information to the notes to our unaudited consolidated financial statements). Segment operating profit represents total revenues less cost of services excluding long-term compensation expense related to consultants. Long-term compensation expense attributable to consultants includes share-based compensation expense and compensation expense attributed to retention incentives (see Note 8 Supplemental Consolidated Balance Sheet Information to the notes to our unaudited consolidated financial statements). Key operating metric definitions are provided above.

The information presented does not necessarily reflect the results of segment operations that would have occurred had the segments been stand-alone businesses. Prior period segment data has been reclassified to be consistent with the presentation in the current period.

Disputes, Investigations & Economics

	For the three months ended September 30,		2014 over 2013 Increase (Decrease)	For the nine months ended September 30,		2014 over 2013 Increase (Decrease)
	2014	**2013**	**Percentage**	**2014**	**2013**	**Percentage**
Revenues before reimbursements (in 000s)	$ 79,862	$ 75,366	6.0	$ 232,188	$ 228,693	1.5
Total revenues (in 000s)	$ 85,518	$ 81,144	5.4	$ 250,046	$ 247,430	1.1
Segment operating profit (in 000s)	$ 27,264	$ 25,738	5.9	$ 78,195	$ 76,948	1.6
Key segment operating metrics:						
Segment operating profit margin	34.1%	34.2%	(0.3)	33.7%	33.6%	0.3
Average FTE - Consulting	516	539	(4.3)	521	550	(5.3)
	202	192	5.2	197	191	3.1

Average FTE - Technology, Data & Process										
Average utilization rates based on 1,850 hours		72%		68%	5.9		72%		72%	
Average bill rate	$	370	$	353	4.8	$	365	$	349	4.6

The **Disputes, Investigations & Economics** segment provides accounting, financial and economic analysis, as well as discovery support, data management and analytics, on a wide range of legal and business issues including disputes, investigations and regulatory matters. The clients of this segment are principally companies, along with their in-house counsel and law firms, as well as accounting firms, corporate boards and government agencies.

As a result of reducing the growth assumptions and lowering margin expectations in this segment, our annual goodwill impairment testing performed as of May 31, 2014 indicated that the fair value of the segment was less than its carrying value by 1%. After performing the second step of the goodwill impairment test (see Note 5 Goodwill and Intangible Assets, net to the notes to the unaudited consolidated financial statements), we determined that a goodwill impairment of $122.0 million was necessary and recorded such amount during the three months ended June 30, 2014. Although growth assumptions have been reduced, we still expect modest RBR growth in the future albeit with lower margins.

RBR for this segment increased 6.0% for the three months ended September 30, 2014 compared to the corresponding period in 2013. The increase in RBR was mainly a result of higher demand for financial services dispute engagements, increased activity in global construction, technology and new business from a third quarter 2013 acquisition in healthcare disputes (see Note 2 Acquisitions to the notes to our unaudited consolidated financial statements). Including the impact of the segment s acquisitions on a pro forma basis, RBR increased 4.4% for the three months ended September 30, 2014 compared to the corresponding period in 2013.

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Average FTE Consulting decreased 4.3% for the three months ended September 30, 2014 compared to the corresponding period in 2013 due to planned and unplanned attrition. For the same period, average FTE Technology, Data & Process increased 5.2%. Average bill rate increased 4.8% to $370 for the three months ended September 30, 2014 compared to the corresponding period in 2013, mainly due to higher global construction, economics and dispute engagement rates. Utilization increased 5.9% for the same period. For the three months ended September 30, 2014, segment operating profit increased $1.5 million while segment operating profit margins were flat compared to the corresponding period in 2013 mainly due to RBR growth while maintaining similar cost structure to the prior year.

RBR for this segment increased 1.5% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. The increase in RBR was mainly due to reasons discussed above as well as increased demand for international arbitration, data breach and tax controversy work partially offset by a decline in economics and the completion of certain large dispute engagements. Including the impact of the segment s acquisitions on a pro forma basis, RBR decreased 1.3% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. Average FTE Consulting decreased 5.3% for the nine months ended September 30, 2014 compared to the corresponding period in 2013, due to planned and unplanned attrition. For the same period, average FTE Technology, Data & Process increased 3.1%. Average bill rate increased 4.6% to $365 for the nine months ended September 30, 2014 compared to the corresponding period in 2013. Utilization was flat for the same period. For the nine months ended September 30, 2014, segment operating profit increased $1.2 million and segment operating profit margin was flat compared to the corresponding period in 2013.

	Financial, Risk & Compliance					
	For the three months ended September 30,		2014 over 2013 Increase (Decrease)	For the nine months ended September 30,		2014 over 2013 Increase (Decrease)
	2014	2013	Percentage	2014	2013	Percentage
Revenues before reimbursements (in 000s)	$ 37,251	$ 40,227	(7.4)	$ 100,855	$ 117,965	(14.5)
Total revenues (in 000s)	$ 44,878	$ 48,668	(7.8)	$ 121,100	$ 142,936	(15.3)
Segment operating profit (in 000s)	$ 17,246	$ 16,959	1.7	$ 44,255	$ 47,897	(7.6)
Key segment operating metrics:						
Segment operating profit margin	46.3%	42.2%	9.7	43.9%	40.6%	8.1
Average FTE - Consulting	282	227	24.2	265	220	20.5
Average utilization rates based on 1,850 hours	78%	83%	(6.0)	81%	82%	(1.2)
Average bill rate	$ 276	$ 268	3.0	$ 277	$ 274	1.1

The **Financial, Risk & Compliance** segment provides strategic, operational, valuation, risk management, investigative and compliance consulting to clients in the highly regulated financial services industry, including major financial and insurance institutions. This segment also provides anti-corruption solutions and anti-money laundering, valuation and restructuring consulting, litigation support and tax compliance services to clients in a broad variety of industries.

The financial services advisory business based in the United Kingdom was sold on July 8, 2013 (see Note 3 Dispositions and Discontinued Operations to the notes to our unaudited consolidated financial statements), and as such, the results of this disposed business for the prior year are presented in discontinued operations.

RBR for this segment decreased 7.4% for the three months ended September 30, 2014 compared to the corresponding period in 2013. RBR for the current period reflected decreased RBR from one large anti-money laundering engagement, mortgage servicing review engagements and restructuring-related services partially offset by new compliance work within the financial services sector. Average FTE Consulting increased 24.2% for the three months ended September 30, 2014 compared to the corresponding period in 2013 due to on-going demand for anti-money laundering and compliance work partially offset by fewer restructuring-related professionals. Use of project employees are not reflected in the Average FTE Consulting metric. Average bill rate increased 3.0% to $276 for the three months ended September 30, 2014 compared to the corresponding period in 2013. Utilization decreased 6.0% for the three months ended September 30, 2014 compared to the corresponding period in 2013. Segment operating profit marginally increased $0.3 million while segment operating profit margins increased 4.1 percentage points mainly as a result of new engagements with higher profitability and higher use of independent contractors included within reimbursable expenses.

RBR for this segment decreased 14.5% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. RBR for the current period reflected decreased RBR from mortgage servicing review engagements and restructuring-related services partially offset by new compliance work. Average FTE Consulting increased 20.5% for the nine months ended September 30, 2014 compared to the corresponding period in 2013 due to the reasons discussed above. Average bill rate increased 1.1% to $277 for the nine months ended September 30, 2014 compared to the corresponding period in 2013. Utilization decreased 1.2% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. Segment operating profit decreased $3.6 million and segment operating profit margins increased 3.3 percentage points mainly as a result of project mix.

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	Healthcare For the three months ended September 30, 2014	2013	2014 over 2013 Increase (Decrease) Percentage	For the nine months ended September 30, 2014	2013	2014 over 2013 Increase (Decrease) Percentage
Revenues before reimbursements (in 000s)	$ 62,964	$ 48,088	30.9	$ 162,145	$ 138,485	17.1
Total revenues (in 000s)	$ 69,035	$ 53,721	28.5	$ 179,877	$ 155,295	15.8
Segment operating profit (in 000s)	$ 18,726	$ 17,967	4.2	$ 48,230	$ 51,881	(7.0)
Key segment operating metrics:						
Segment operating profit margin	29.7%	37.4%	(20.6)	29.7%	37.5%	(20.8)
Average FTE - Consulting	438	445	(1.6)	444	432	2.8
Average FTE - Technology, Data & Process	915	238	284.5	602	195	208.7
Average utilization rates based on 1,850 hours	74%	75%	(1.3)	75%	78%	(3.8)
Average bill rate	$ 260	$ 265	(1.9)	$ 256	$ 257	(0.4)

The **Healthcare** segment provides strategic, operational, performance improvement and revenue cycle management solutions to clients across the healthcare landscape including health systems, physician practice groups, health insurance providers, government and life sciences companies. We assist clients on issues such as the shift to an outcomes and value-based reimbursements model, ongoing industry consolidation and reorganization, and the required implementation of a new medical coding system.

RBR for this segment increased 30.9% for the three months ended September 30, 2014 compared to the corresponding period in 2013. RBR for the current period reflected the second quarter acquisition of Cymetrix (see Note 2 Acquisitions to the notes to our unaudited consolidated financial statements). Including the impact of the segment s acquisitions on a pro forma basis, RBR decreased 2.1% for the three months ended September 30, 2014 compared to the corresponding period in 2013. The 2.1% decrease for the period reflects decreased RBR within the performance improvement area due to competitive challenges as well as the delay in anticipated project work relating to the implementation of ICD10 (regulatory codification update). Additionally, strategy related services declined as certain large projects wound down during the second half of 2013 and were replaced by smaller engagements. Performance based fees were $0.3 million and $1.0 million for the three months ended September 30, 2014 and 2013, respectively, also contributing to the decrease. These decreases were offset by the growth of our combined existing physician revenue cycle outsourcing capabilities and our revenue cycle management business. The growth will potentially allow us to incorporate more data analytics products, technology-enabled solutions, and operations outsourcing within this segment. Organic growth within our life sciences business also offset a portion of the overall RBR decline in the segment. Average FTE Consulting decreased 1.6% for the three months ended September 30, 2014 compared to the corresponding period in 2013, while utilization decreased 1.3% for the same period, due in part to delayed start up of certain projects and acquisition integration for Cymetrix. Average FTE Technology, Data & Process increased 284.5% for the three months ended September 30, 2014 compared to the corresponding period in 2013 due to the acquisition of Cymetrix which added 595 Average FTE as well as new hires in our physician revenue cycle outsourcing group. Average bill rate decreased 1.9% for the same period. For the three months ended September 30, 2014, segment operating profit increased $0.8 million, and segment operating profit margin decreased 7.7 percentage points compared to the corresponding period in 2013 reflecting mix of engagements, lower utilization and increased wages and training expense for new hires as well as additional technology-related expense.

RBR for this segment increased 17.1% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. As previously mentioned RBR for the current period reflected the acquisition of Cymetrix (see Note 2 Acquisitions to the notes to our unaudited consolidated financial statements). Including the impact of the segment s acquisitions on a pro forma basis, RBR decreased 0.4% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. The decrease is due to similar reasons discussed above. Performance based fees were $0.3 million and $2.3 million for the nine months ended September 30, 2014 and 2013, respectively. Average FTE Consulting increased 2.8% for the nine months ended September 30, 2014 compared to the corresponding period in 2013, while utilization decreased 3.8% for the same period, also due to reasons discussed above. Average FTE Technology, Data & Process increased 208.7% for the nine months ended September 30, 2014 compared to the corresponding period in 2013 due to the acquisition of Cymetrix which added 294 (due to partial period of ownership averaged over the 9 month period) Average FTE as well as additions relating to our physician revenue cycle outsourcing group. For the nine months ended September 30, 2014, segment operating profit decreased $3.7 million and segment operating profit margin decreased 7.8 percentage points compared to the corresponding period in 2013 due to mix of engagements and increased costs relating to acquisitions, training, strategic investments and segment meetings. In addition, severance expense for the nine months ended September 30, 2014 and 2013 was $1.2 million and $0.3 million, respectively.

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Energy

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	2014 over 2013 Increase (Decrease) Percentage	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013	2014 over 2013 Increase (Decrease) Percentage
Revenues before reimbursements (in 000s)	$ 25,457	$ 22,763	11.8	$ 71,906	$ 71,501	0.6
Total revenues (in 000s)	$ 30,708	$ 28,074	9.4	$ 84,961	$ 85,100	(0.2)
Segment operating profit (in 000s)	$ 8,766	$ 6,968	25.8	$ 22,262	$ 23,839	(6.6)
Key segment operating metrics:						
Segment operating profit margin	34.4%	30.6%	12.4	31.0%	33.3%	(6.9)
Average FTE Consulting	331	311	6.4	327	315	3.8
Average FTE Technology, Data & Process	51	47	8.5	53	46	15.2
Average utilization rates based on 1,850 hours	76%	74%	2.7	74%	76%	(2.6)
Average bill rate	$ 191	$ 189	1.1	$ 189	$ 191	(1.0)

The **Energy** segment provides management advisory services to utility, government and commercial clients. We focus on creating value for our clients by assisting in their implementation of new business models and creating sustainable excellence on issues ranging from asset investment management, integrated resource planning, renewables, distributed generation, energy efficiency and outage management and restoration.

RBR for this segment increased 11.8% for the three months ended September 30, 2014 compared to the corresponding period in 2013. RBR for the current period reflects the ramp up of energy efficiency, governmental policy and research engagements as well as business strategy related services as a result of new senior hires. Utilization increased 2.7% for the three months ended September 30, 2014 compared to the corresponding period in 2013. Average FTE Technology, Data & Process increased 8.5% for the three months ended September 30, 2014 compared to the corresponding period in 2013 as demand for the segment s benchmarking and research services strengthened. For the three months ended September 30, 2014, segment operating profit increased $1.8 million and segment operating profit margin increased 3.8 percentage points compared to the corresponding period in 2013 due to improved resource alignment.

RBR for this segment was relatively flat for the nine months ended September 30, 2014 compared to the corresponding period in 2013. This reflects a decrease relating to fewer engagements in market analysis and pricing services and a slowdown within energy efficiency due to competitive pressure and clients timing of report requirements offset by increases in governmental policy engagements and research. Utilization decreased 2.6% for the nine months ended September 30, 2014 compared to the corresponding period in 2013. Average FTE Consulting increased 3.8% relating to hires within energy efficiency and business strategy offset by attrition within the market analysis and pricing business. Average FTE Technology, Data & Process increased 15.2% for the nine months ended September 30, 2014 compared to the corresponding period in 2013 as demand for the segment s benchmarking and research services strengthened. For the nine months ended September 30, 2014, segment operating profit and segment operating profit margin decreased $1.6 million and 2.3 percentage points, respectively, due to strategic hires and the delay of renewing certain engagements. Severance expense for the nine months ended September 30, 2014 and 2013 was $0.7 million and $1.2 million, respectively.

Liquidity and Capital Resources

Our cash flow activities were as follows (in thousands) for the nine months ended September 30:

	2014	2013
Net cash provided by operating activities	$ 26,893	$ 50,638
Net cash (used in) provided by investing activities	$ (105,395)	$ 947
Net cash (used in) provided by financing activities	$ 80,799	$ (49,069)

Generally, our net cash used in operating activities is funded by our day to day operating activities and augmented by borrowings under our credit facility. First quarter operating cash requirements are generally higher due to payment of our annual incentive bonuses while subsequent quarters cash requirements are generally lower. Our cash equivalents are primarily limited to money market accounts or A rated securities, with maturity dates of 90 days or less.

We calculate accounts receivable DSO by dividing the accounts receivable balance, net of reserves and deferred revenue credits, at the end of the quarter, by daily revenue. Daily revenues are calculated by taking quarterly revenue divided by 90 days, approximately equal to the number of days in a quarter. DSO was 77 days at September 30, 2014, compared to 81 days at September 30, 2013. DSO is reported on a historical basis and is inclusive of discontinued operations. As DSO increases, we have less operating funds available for operating activities and our borrowings under our credit facility may increase.

Operating Activities

Net cash provided by operating activities was $26.9 million for the nine months ended September 30, 2014 compared to $50.6 million for the corresponding period in 2013. The decrease in cash provided by operating activities was primarily due to higher accounts receivable balances compared to the prior year, higher sign-on and retention bonus payments in 2014 compared to 2013 and deferred revenue received in 2013 with no similar amount in 2014.

Investing Activities

Net cash used in investing activities was $105.4 million for the nine months ended September 30, 2014 compared to cash provided by investing activities of $0.9 million for the corresponding period in 2013. During the nine months ended September 30, 2014, we paid $78.3 million, including selling costs, in cash for Cymetrix, paid $9.3 million for three other small acquisitions and paid $1.5 million for software. The acquisitions were funded by borrowings under our credit facility. This compares to acquiring one small business during the nine months ended September 30, 2013 (see Note 2 Acquisitions to the notes to our unaudited consolidated financial statements for further information on our acquisitions). Higher capital expenditures in 2014 primarily associated with increased technology investment further contributed to the increase in cash used in investing activities for the current period. We expect to have further capital expenditures in the near term relating to leasehold improvements and technology for our new New York office lease. During the nine months ended September 30, 2013, we received $15.6 million in proceeds from the sale of a portion of our economics business (see Note 3 Dispositions and Discontinued Operations to the notes to our unaudited consolidated financial statements).

Financing Activities

Net cash provided by financing activities was $80.8 million for the nine months ended September 30, 2014 compared to cash used in financing activities of $49.1 million for the corresponding period in 2013. The increase in cash provided by financing activities was primarily due to higher borrowings under our credit facility due to the acquisition of Cymetrix discussed above. Borrowings were also higher due to higher accounts receivable balances in the current period as well as higher capital expenditure requirements in 2014. During the nine months ended September 30, 2014, we purchased 1,204,124 shares of our common stock in the open market for $20.8 million compared to 1,719,905 shares for $22.3 million during the nine months ended September 30, 2013.

Debt, Commitments and Capital

For further information regarding our debt, see Note 11   Bank Debt to the notes to our unaudited consolidated financial statements.

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At September 30, 2014 we had total contractual obligations of $326.3 million. The following table shows the components of our significant commitments at September 30, 2014 by the scheduled years of payments (in thousands):

Contractual Obligations	Total	2014	2015 to 2016	2017 to 2018	Thereafter
Deferred acquisition liabilities (a)	$ 32,006	$ 4,148	$ 27,858	$	$
Purchase agreements (b)	2,348		2,348		
Revolving credit facility (c) (d)	158,017			158,017	
Lease commitments (e)	133,922	6,107	44,222	33,157	50,436
Total contractual obligations	$ 326,293	$ 10,255	$ 74,428	$ 191,174	$ 50,436

a) At September 30, 2014, we had $32.0 million in liabilities relating to deferred acquisition liability obligations (reflected in the table above). Of this balance, $23.4 million is in the form of contingent acquisition liability obligations which were recorded at estimated fair value and discounted to present value. Settlement of the liabilities is contingent upon the particular acquired business meeting certain performance targets. Assuming each of these acquisitions reach its maximum target, our maximum deferred acquisition liability would have been $47.5 million at September 30, 2014.

b) We have obligations recorded in other current liabilities of approximately $2.3 million (reflected in the table above) relating to costs associated with information technology purchases associated with our Technology, Data & Process businesses.

c) Interest incurred on amounts we borrow under our credit facility vary based on relative borrowing levels, fluctuations in the variable interest rates and the applicable margin we pay over those interest rates. As such, we are unable to quantify our future obligations relating to interest on borrowings under our credit facility (see Note 11 Bank Debt to the notes to our unaudited consolidated financial statements for further information on our credit facility).

d) At September 30, 2014, we had $8.1 million of unused letters of credit under our credit facility, which have been included as a reduction in the available borrowings. The letters of credit are primarily related to the requirements of certain lease agreements for office space.

e) During the three months ended June 30, 2014, we entered into a new lease for office space located in New York, New York which increased our contractual obligations relating to lease commitments by $40.7 million. In conjunction with the new lease, we anticipate future expenditures for leasehold improvements, technology and double rent while the new space is under construction.

On October 25, 2011, our board of directors extended until December 31, 2014 its previous authorization to repurchase up to $100.0 million of our common stock in open market or private transactions. On February 11, 2014, our board of directors increased the stock repurchase authorization by approximately $50.0 million and extended the authorization to December 31, 2015. As increased and extended, we are authorized to repurchase up to $100.0 million in shares of our common stock during the two year period ending December 31, 2015. During the nine months ended September 30, 2014, we repurchased 1,204,124 shares for $20.8 million. As of September 30, 2014 we have $79 million remaining under the authorization.

We believe that our current cash and cash equivalents, future cash flows from operations and borrowings under our credit facility will provide adequate liquidity to fund anticipated short-term and long-term operating activities. However, in the event we make significant cash expenditures in the future for major acquisitions or other unanticipated activities, we may require more liquidity than is currently available to us under our credit facility and may need to raise additional funds through debt or equity financing, as appropriate. In addition, if our lenders are not able to fund their commitments due to disruptions in the financial markets or otherwise, our liquidity could be negatively impacted.

As we further develop our margin improvement goals, we anticipate taking certain actions which may include compensation and staffing alignment, improved practice cost management, real estate consolidation and targeted general and administrative cost reductions. Such actions may result in additional severance expense. We continue to evaluate under-performing practice areas and are considering various options to improve our overall financial results.

Off-balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future impact on our financial condition or results of operations.

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Critical Accounting Policies

There have been no material changes to our critical accounting policies and estimates from the information provided in Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our 2013 10-K.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 -Revenue from Contracts with Customers (Topic 606). This update is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principle based approach. The core principle of the standard is that revenue should be recognized when the transfer of promised goods or services is made in an amount that the entity expects to be entitled to in exchange for the transfer of goods and services. The update also requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This standard will be effective for financial statements issued by public companies for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. We are currently evaluating the potential impact of this guidance on our consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This update includes amendments that change the requirements for reporting discontinued operations and require additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations that has (or will have) a major effect on the entity s operations and financial results should be presented as discontinued operations. Examples include a disposal of a major geographic area, a major line of business, a major equity method investment, or other major parts of an entity. Additionally, the revised guidance requires expanded disclosures in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. This guidance is effective for financial statements issued by public companies for annual reporting periods beginning after December 15, 2014.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our primary exposure to market risk relates to changes in interest rates and foreign currencies. The interest rate risk is associated with borrowings under our credit facility and our investment portfolio, classified as cash equivalents. The foreign currency risk is associated with our operations in foreign countries.

At September 30, 2014, borrowings under our credit facility bear interest, in general, based on a variable rate equal to an applicable base rate (equal to the higher of a reference prime rate or one half of one percent above the federal funds rate) or LIBOR, in each case plus an applicable margin. We are exposed to interest rate risk relating to the fluctuations in LIBOR. We use interest rate swap agreements to manage our exposure to fluctuations in LIBOR.

At September 30, 2014, our interest rate derivatives effectively fixed our LIBOR base rate on $60.0 million of our debt. Based on borrowings under the credit facility at September 30, 2014 and after giving effect to the impact of our interest rate derivatives, our interest rate exposure was limited to $98.0 million of debt, and each quarter point change in market interest rates would have resulted in approximately a $0.2 million change in annual interest expense.

At September 30, 2014, our cash equivalents were primarily limited to money market accounts or A rated securities, with maturity dates of 90 days or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates rise. Because of the short periods to maturity of these instruments, an increase in interest rates would not have a material effect on our financial position or results of operations.

We operate in various foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. At September 30, 2014, we had net assets of approximately $42.2 million with a functional currency of the United Kingdom Pound Sterling and $14.1 million with a functional currency of the Canadian Dollar related to our operations in the United Kingdom and Canada, respectively. At September 30, 2014, we had net assets denominated in the non-functional currency of approximately $10.2 million. As such, a ten percent change in the exchange rate of the local currency would have resulted in $1.0 million foreign currency gain or loss in our results of operations. Excess cash balances held outside the United States are immaterial to our overall financial position, and therefore, we have limited exposure to repatriating funds back to the United States.

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Item 4. Controls and Procedures.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time frames specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

An evaluation of the effectiveness of the design and operation of the disclosure controls and procedures, as of the end of the period covered by this report, was made under the supervision and with the participation of our management including our principal executive officer and principal financial officer. Based upon this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

We are not party to any material legal proceedings.

Item 1A. Risk Factors.

Except as set forth below, there have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December, 31, 2013 (2013 Form 10-K). The risk factor set forth below should be read in conjunction with the risk factors and other information disclosed in our 2013 Form 10-K.

The expansion and growth of our revenue cycle management businesses and the evolution of our service offerings into new areas subject us to different operational risks than our traditional consulting and expert businesses.

With the acquisition of Cymetrix in May 2014, a higher percentage of our net revenues is derived from our Technology, Data & Process businesses, as compared to prior periods. These businesses, in particular, our revenue cycle management service offerings, present different operational risks when compared to our traditional consulting and expert businesses. For example, our revenue cycle management services involve taking over the revenue cycle function for all or certain portions of our physician and hospital clients businesses, including the operation, management or oversight of billing, coding and accounts receivable departments that are critical to our clients financial performance. In addition, our revenue cycle management business utilizes offshore personnel, including subcontracted personnel in India, which exposes us to additional operational risks, including special risks associated with conducting business internationally. Disruptions in service delivery, regulatory compliance concerns, particularly in the billing and coding areas, labor disputes, technology issues or other performance problems could damage our clients businesses, expose us to enhanced regulatory scrutiny and claims, and harm our reputation and our business.

As part of our long-term strategy, we plan to continue to expand our services and solutions into new areas. Expanding into new areas, and providing services to new types of clients may expose us to additional operational, regulatory or other risks specific to these new areas. We could also incur liability if we fail to comply with laws or regulations applicable to the services we provide to our clients.

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

The following table sets forth repurchases of our common stock during the third quarter of 2014:

Period	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(b)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs(b)

Jul 1 - 31, 2014	126,424	$	17.18	126,424	$	83,400,634
Aug 1 - 31, 2014	126,800	$	16.37	126,800	$	81,324,606
Sep 1 - 30, 2014	141,008	$	15.41	137,400	$	79,202,830
Total	394,232	$	16.29	390,624	$	79,202,830

(a) Includes 3,608 shares of our common stock withheld by us to satisfy individual tax withholding obligations in connection with the vesting of restricted stock during the period.

(b) On October 25, 2011, our board of directors extended until December 31, 2014 its previous authorization to repurchase up to $100 million of our common stock in open market or private transactions. On February 11, 2014, our board of directors increased the stock repurchase authorization by approximately $50 million and extended the authorization to December 31, 2015. As increased and extended, we are authorized to repurchase up to $100 million in shares of our common stock during the two year period ending December 31, 2015.

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Item 6. Exhibits.
The following exhibits are filed with this report:

Exhibit No.	Description
31.1	Certification of Chief Executive Officer required by Rule 13a-14 of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer required by Rule 13a-14 of the Securities Exchange Act.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
101	Interactive Data File.

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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.

Navigant Consulting, Inc.

By: /S/ JULIE M. HOWARD
Julie M. Howard

Chairman and Chief Executive Officer

By: /S/ LUCINDA M. BAIER
Lucinda M. Baier

Executive Vice President and

Chief Financial Officer

Date: October 29, 2014