SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the year ended December 31, 2000

OR

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

Commission File No. 0-28830

Navigant Consulting, Inc.
(Exact name of Registrant as specified in its charter)

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

615 North Wabash Avenue, Chicago, Illinois 60611
(Address of principal executive offices, including zip code)

(312) 573-5600
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.001 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

None

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

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

As of March 12, 2001, 40.4 million shares of the Registrant's common stock, par value $.001 per share ("Common Stock"), were outstanding. The aggregate market value of shares of Common Stock held by non-affiliates, based upon the closing sale price of the stock on the New York Stock Exchange on March 12, 2001, was approximately $240.6 million.

The Registrant's Proxy Statement for the Annual Meeting of Shareholders, scheduled to be on held April 26, 2001, is incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

Statements included in this report which are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this report, including, without limitation, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." When used in this report, the words "anticipate," "believe," "intend," "estimate," "expect," and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements, including without limitation those relating to the Company's future business prospects, revenues, working capital, liquidity, and income are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC. The Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect current or future events or circumstances.

Item 1. Business.

General

Navigant Consulting, Inc., formerly The Metzler Group, Inc. (the "Company"), is a management consulting firm to Fortune 500 companies, government agencies, law firms, financial institutions and regulated industries.

The Company is a Delaware corporation headquartered in Chicago, Illinois. The Company's executive office is located at 615 North Wabash Avenue, Chicago, Illinois 60611. Its telephone number is (312) 573-5600. The Company's stock is traded on the New York Stock Exchange under the symbol NCI.

"NAVIGANT" is a service mark of Navigant International, Inc. The Company is not affiliated, associated, or in any way connected with Navigant International, Inc. and the Company's use of "NAVIGANT" is made under license from Navigant International, Inc.

Business Units

The Company is comprised of two business units: Financial & Claims Consulting and Energy & Water Consulting. The business units are managed with a "holding company" model. Each business unit has direct responsibility and accountability for its decisions, costs and profits. The Company's consultants have the autonomy and authority to seek, engage, and complete assignments. This business model and the Company's experience, reputation, and industry focus will enable it to compete effectively in the consulting marketplace.

The Financial & Claims Consulting business unit is comprised of advisors and consultants who specialize in assisting clients with the financial, economic, accounting, and information aspects of its engagements. This practice unit provides consulting services such as data management, quality control, business and property valuation, research and analysis, litigation support and expert testimony, bankruptcy and solvency management, outsourcing, and claims management.

The Energy & Water Consulting business unit is comprised of advisors and consultants who provide services to all areas of the energy industry. This unit assists its clients in all stages of the energy business cycle, from generation to transmission to distribution to retail supply. These services include, among others, management consulting, regulatory compliance, merger and acquisition consulting, generation asset divestiture, energy market assessment, strategic resource allocation, and distribution management. This business unit also provides planning and engineering services to the water industry.

During 2000, the Company eliminated three business units: Economic & Policy Consulting, Strategic Consulting and IT Solutions.

Strategy

With the Company's business model in place and the successful completion of its restructuring plan in 2000, the Company is in position to grow. The Company's clients are in industries undergoing rapid structural change, from deregulation to globalization. Increased competition, globalization and deregulation are forcing the

Company's clients and others to devise new ways to effectively compete, to acquire and retain customers, or to move into new markets. The Company believes it has the consulting resources and capabilities to offer its existing and new clients the assistance in meeting the challenges described above.

The Company's strategies are to:

- --Extend and broaden existing long-term relationships with its clients;
- --Continue to recruit and retain highly skilled professionals;
- --Capture new and emerging markets in which the Company has consulting expertise; and
- --Selectively acquire consulting firms complementary to the Company's core business units.

Marketing

The Company markets its services directly to senior and mid-level executives. A variety of business development and marketing channels are used to communicate directly with current and prospective clients, including on-site presentations, industry seminars and industry-specific articles.

A significant portion of new business arises from prior client engagements. In addition, the Company seeks to leverage the client relationships of firms that have been acquired by cross-selling existing services. Clients frequently expand the scope of engagements during delivery to include follow-on complementary activities. Also, on-site presence affords the Company's consultants the opportunity to become aware of, and to help define, additional project opportunities as they are identified by the client.

No client accounted for more than 5% of the Company's total revenue for the year ended December 31, 2000. Revenues earned from the Company's top 20 clients represented 39% of total revenues. The Company acknowledges that the existence and identity of its largest clients may change from year to year. The Company has, on occasion, experienced a seasonal pattern in its operating results, with a smaller proportion of the Company's revenues and lower operating income occurring in the fourth quarter of the year, or a smaller sequential growth rate than in other quarters.

Human Capital

As of December 31, 2000, the Company had approximately 1,200 employees, including 950 billable consultants. Success depends in large part on attracting, retaining and motivating talented, creative and experienced professionals at all levels. In connection with recruiting, the Company employs internal recruiters, retains executive search firms and utilizes personal and business contacts to recruit professionals with significant industry-specific consulting experience. Consultants are drawn from the industries the Company serves and from accounting and other consulting organizations. The Company seeks to retain its consultants by offering competitive packages of base and incentive compensation, equity ownership, and benefits. (See Note 9 to the Consolidated Financial Statements.)

Revenues are generated almost exclusively from services performed by the Company's professional consultants. Future performance will continue to depend in large part upon the Company's ability to attract and retain highly skilled professionals possessing appropriate skills. Qualified professional consultants are in great demand and are likely to remain a limited resource for the foreseeable future. The loss of the services of, or the failure to recruit, a significant number of consultants would adversely affect the Company's ability to secure and complete engagements and would have a material adverse effect on the Company's business.

In addition to the employees discussed above, independent contractors, some of whom are former employees, supplement the Company's consultants on certain engagements. The Company believes that the practice of retaining independent contractors on a per-engagement basis provides greater flexibility in adjusting professional personnel levels in response to changes in demand for the Company's professional services.

Competition

The Company competes in the worldwide market for consulting services, although its principal market is North America, which accounted for over 95% of the Company's revenues in 2000 and 1999. The market for consulting services is intensely competitive, highly fragmented and subject to rapid change. The market includes a large number of participants from a variety of market segments, including general management, information technology and marketing consulting firms, as well as the consulting practices of national accounting firms, and other local, regional, national and international firms. Many of these companies are global in scope and have greater personnel, financial, technical and marketing resources than the Company. The Company believes that its experience, reputation, industry focus and broad range of services will enable it to compete effectively in the consulting marketplace.

Item 2. Facilities.

The Company's headquarters is currently located in a 16,500 square foot building in Chicago, Illinois, which is owned. In addition to the headquarters, the Company has approximately forty operating leases for office facilities worldwide. Additional space may be required as business expands geographically, but the Company believes it will be able to obtain suitable space as needed. Principal offices are located in the following cities:

Austin, Texas	London, United Kingdom	Pittsburgh, Pennsylvania
Baltimore, Maryland	Los Angeles, California	
		Princeton, New Jersey

Boston, Massachusetts	Melbourne, Australia	Richmond, Virginia
Burlington, Massachusetts	Nashville, Tennessee	Sacramento, California
Chicago, Illinois	New York, New York	San Francisco, California
Dallas, Texas	Orlando, Florida	Tampa, Florida
Houston, Texas	Phoenix, Arizona	Washington, D.C.

Item 3. Legal Proceedings.

As previously disclosed, in August 2000, the Company agreed to settle for $23 million the consolidated securities law class actions (the "Consolidated Class Actions"), subject to court approval and certain other conditions. The settlement calls for the dismissal, with prejudice, of the Consolidated Class Actions and a release of the Company and the Company's former and current officers and directors, among others. Under the final settlement agreement, the Company has contributed $16.5 million into escrow pending such approval, and Genesis Insurance Company, one of its insurers ("Genesis"), has contributed $6.5 million under an agreement reached with the Company which is also subject to certain conditions. The Company is seeking to recover from Genesis an additional $0.5 million as reimbursement for certain attorneys' fees.

In October 2000, the lead plaintiff filed a motion for preliminary approval of the proposed settlement of the Consolidated Class Actions. In November 2000, the Court granted its preliminary approval for the proposed settlement. Pursuant to this order, notice was provided to the class and the Court established certain deadlines in February 2001 for Class members to opt-out of or to object to the proposed settlement. These deadlines have now passed. Nine persons, representing approximately 760,000 shares of the Company's Common Stock, have opted out of the proposed settlement. These individuals include Russell D. Chandler, Andrew M. Street, Scott Boocher, and Anthony Sileo whose lawsuit against the Company is described below; and Mark Klein, whose lawsuit is also described below, as well as other individuals who have not yet to the Company's knowledge asserted any claim against the Company. Three former officers of the Company, Robert Maher, Charles Demirjian and Stephen Denari, who are individual defendants of the Consolidated Class Actions, have filed objections to the proposed settlement. In addition, Charles Grimes and Gordon Chaplin, in their capacity as trustees for certain trusts, have also filed objections to the proposed settlement. The Court has scheduled a hearing on March 22, 2001 with respect to the fairness and final approval of the proposed settlement. The Company will vigorously support the terms of the proposed settlement of the Consolidated Class Actions and will vigorously oppose the objections.

As previously disclosed, in September 2000, the Company was served with another shareholder class action complaint filed by Mr. Grimes in the United States District Court for the District of Delaware. The factual allegations in Mr. Grimes' complaint are very similar to the factual allegations in the Consolidated Class Actions, except that Mr. Grimes seeks to extend the class period (which the parties in the Consolidated Class Actions have stipulated, for purposes of settlement only, extends from January 1, 1999 through November 19, 1999) through January 24, 2000. By agreement of the parties, this action has been transferred to the Northern District of Illinois. The Company will vigorously defend the Grimes action.

As previously disclosed, in September 2000 the Company and Mr. Maher, its former Chief Executive Officer, were named in a complaint filed in the United States District Court for the Northern District of Illinois by Messrs. Chandler, Street and Boocher. The plaintiffs were the principal shareholders and officers of GeoData Solutions, Inc., a business acquired by the Company in the first quarter of 1999 in a stock-for-stock exchange and subsequently sold in July 2000. Messrs. Chandler, Street and Boocher initially alleged violations of federal and State of Colorado securities laws, common law fraud, and negligent misrepresentation in connection with their acquisition of Company stock as part of that transaction. In January 2001, the Court granted the Company's motion to dismiss, in which Mr. Maher joined, with respect to all counts except the common law fraud count, but granted plaintiffs leave to file an amended complaint. In February 2001, the plaintiffs filed an amended complaint alleging, in addition to common law fraud, violations of federal and State of Illinois securities laws. Anthony Sileo, a former GeoData employee and option-holder, was added as an additional plaintiff. In March 2001, the Company moved to dismiss all counts of the amended complaint other than the common law fraud count. The Company will vigorously defend the Chandler action.

In December 2000, the Company, Mr. Maher and Mr. Demirjian, the Company's former Vice President, General Counsel and Secretary, were named as defendants in a complaint filed in the Superior Court of the State of California for the County of San Mateo by Mark Klein. Mr. Klein is a former employee and shareholder of Strategic Decisions Group ("SDG"), a business acquired by the Company in a stock-for-stock transaction in the first quarter of 1999 and disposed of by the Company in October 2000 to SDG LLC, a group of former Company employees. SDG and SDG LLC are also named as defendants in the lawsuit. Mr. Klein received approximately 45,000 shares of the Company's stock in the 1999 stock-for-stock transaction. In his complaint, Mr. Klein claims that he was induced to agree to the Company's acquisition of SDG, rather than asserting his dissenter's rights under California law, because he was told that he could protect against a decline in the price of the Company's stock that he received in such transaction by performing hedging transactions, and that the Company subsequently prevented him from carrying out such hedging transactions. Mr. Klein alleges fraud, negligent misrepresentation, breach of fiduciary duty, conversion and trespass. The Company will vigorously defend the Klein action.

As previously disclosed, in November 2000, the Company was served with a lawsuit filed in the Circuit Court of Cook County, Illinois by Messrs. Denari and Demirjian. The lawsuit names as defendants the Company, three of its directors, its auditors, KPMG LLP ("KPMG"), one of its law firms, Winston & Strawn, and one of its insurers, Genesis. The lawsuit initially sought an injunction prohibiting Genesis from giving up its subrogation rights against KPMG and others as provided in the proposed settlement of the Consolidated Class Actions. The lawsuit also seeks compensatory and punitive damages from defendants based on various legal theories, including defamation, conspiracy, breach of contract, breach of fiduciary duty, legal malpractice and negligent misrepresentation. In December 2000 Genesis moved in federal court for an injunction and removal. In January 2001, after the plaintiffs amended their complaint to eliminate their request for an injunction, the federal court denied Genesis' motion for an injunction and removal "without prejudice to its renewal at an appropriate future time," and the case was remanded back to state court. In March 2001, the Company and other defendants filed motions to dismiss the amended complaint in its entirety. The Company will vigorously defend the lawsuit.

As previously disclosed, in July 1999, Navigant International, Inc., a national travel agency headquartered in Denver, Colorado sued the Company in the United States District Court for the District of Colorado claiming that the use of "Navigant" in the Company's name infringes on their use of and rights in such name. In January 2001, the Company reached a preliminary agreement with Navigant International to settle this lawsuit, wherein

Navigant International will sublicense to the Company the right to use "Navigant" in its name, subject to certain restrictions, in exchange for a one-time fee. Both parties also agreed to cooperate and take certain measures to avoid any future customer or investor confusion.

In addition, from time to time, the Company is party to various other lawsuits and claims in the ordinary course of business. While the outcome of these lawsuits or claims cannot be predicted with certainty, the Company does not believe that any of those lawsuits or claims will have a material adverse affect on its business.

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

The 2000 annual meeting of shareholders of the Company was held on November 30, 2000. The Company solicited proxies for the annual meeting pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and Regulation 14A thereunder. One nominee, Peter B. Pond, was elected for a term expiring at the annual meeting of shareholders in 2003 by a vote of 31,259,443 shares for, no shares against, 3,490,394 shares withhold authority and no broker non-votes. The shareholders approved an amendment to the Company's employee stock purchase plan by a vote of 20,519,001 shares for, 2,139,840 shares against, 405,416 shares abstaining and 11,685,580 broker non-votes. The shareholders approved an amendment to the Company's long-term incentive plan by a vote of 18,479,877 shares for, 4,280,886 shares against, 404,562 shares abstaining and 11,584,512 broker non-votes.

The amendment to the employee stock purchase plan, among other things, increased the total number of shares authorized to be issued under the plan from 450,000 to 750,000 and provided for subsequent annual increases of the total authorized shares by the lesser of 500,000 shares for 1.2 percent of the Company's then outstanding shares. The amendment to the long-term incentive plan, among other things, reduced the cash compensation of non-employee directors, provided for a one-time grant of stock options to non-employee directors of 15,000 shares immediately following the annual meeting, provided for one-time grants of stock options to new non-employee directors of 15,000 shares following their initial election or appointment to the Board and provided for annual awards of stock options to non-employee directors of 5,000 shares beginning in January 2001.

Executive Officers of the Company

At March 12, 2001, the Company had the following executive officers:

William M. Goodyear, 52, has served as Chairman of the Board and Chief Executive Officer of the Company since May 19, 2000. He has served as a director since December 15, 1999. Prior to December 1999, he served as Chairman and Chief Executive Officer of Bank of America, Illinois. From 1972 to 1999, Mr. Goodyear held a variety of assignments with Continental Bank, subsequently Bank of America, including corporate finance, corporate lending, trading and distribution. During this 28 year period, Mr. Goodyear was stationed in London for 5 years (1986 to 1991) to manage Continental Bank's European and Asian Operations. He was Vice Chairman and a member of the Board of Directors of Continental Bank prior to the 1994 merger between Continental Bank Corporation and BankAmerica Corporation. He was President of the Bank of America's Global Private Bank until January 1999.

Ben W. Perks, 59, has served as Executive Vice President and Chief Financial Officer since May 19, 2000. Prior to joining the Company, Mr. Perks was a senior Chicago partner in the Financial Advisory Services Group with PricewaterhouseCoopers LLP. With PricewaterhouseCoopers and Price Waterhouse LLP, he had more than 32 years of professional service experience, including 22 years as an audit and consulting partner providing financial reporting, accounting, auditing, tax, economic, and litigation consulting services to clients.

Philip P. Steptoe, 49, has served as the Company's Vice President, General Counsel and Secretary since February 2000. Previously, Mr. Steptoe was a partner with the national law firm of Sidley & Austin. Prior to joining Sidley & Austin in 1988, he was an associate and later a partner in the Chicago law firm of Isham, Lincoln & Beale. During 1994 to 1995 he served for four months as Acting General Counsel for Orange and Rockland Utilities, Inc., a New York electric and gas utility.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Market Information

The shares of Common Stock of the Company are traded on the New York Stock Exchange (the "NYSE") under the symbol "NCI."

The following table sets forth, for the periods indicated, the high and low closing sale prices per share. Prices for periods beginning July 27, 1999 are as reported on the NYSE Composite Tape. Prior to July 27, 1999 the Company's Common Stock was traded on the Nasdaq National Market under the symbol "METZ" and prices for such periods are as reported on the Nasdaq National Market.

	High	Low
2000		
Fourth quarter	$ 4.13	$ 2.81
Third quarter	$ 4.44	$ 3.00
Second quarter	$11.00	$ 3.63
First quarter	$11.69	$ 7.00
1999		
Fourth quarter	$48.50	$ 8.69
Third quarter	$54.25	$26.13
Second quarter	$36.13	$22.81
First quarter	$52.00	$28.44

Holders

As of March 12, 2001, there were approximately 149 holders of record of shares of Common Stock of the Company.

Distributions

The Company has not paid any cash dividends since its organization and does not anticipate that it will make any such distributions in the foreseeable future.

Sale of Unregistered Securities

Within the past three years, the Company has issued the following securities which were not registered under the Securities Act of 1933:

Date	Type of Securities	Number of Shares	Purchaser	Consideration(1)	Exemption Claimed
April 3, 1998	Common Stock	137,931	Former Stockholders of AUC Management Consultants, Inc.	All Outstanding Shares of AUC Management Consultants, Inc.	Section 4(2)
April 3, 1998	Common Stock	51,562	Former Stockholders of Hydrologic Consultants, Inc. of California.	All Outstanding Shares of Hydrologic Consultants, Inc. of California.	Section 4(2)
June 1,	Common	9,200	Former Members	All Membership	Section

1998	Stock		of The VisionTrust Marketing Group, LLC	Interest of The VisionTrust Marketing Group, LLC	4(2)
August 31, 1998	Common Stock	5,596,488	Former Members of Peterson Consulting LLC	All Outstanding Membership Interest of Peterson Consulting LLC	Section 4(2)
August 31, 1998	Common Stock	616,737	Former Stockholders of Saraswati Systems Corporation	All Outstanding Saraswati Systems Corporation	Section 4(2)
August 31, 1998	Common Stock	103,900	Former Stockholders of Applied Health Outcomes, Inc.	All Outstanding Shares of Applied Health Outcomes, Inc.	Section 4(2)
February 7, 1999	Common Stock	2,437,223	Former Stockholders of Strategic Decisions Group, Inc.	All Outstanding Shares of Strategic Decisions Group, Inc.	Section 4(2)
March 31, 1999	Common Stock	952,227	Former Stockholders of Triad International, Inc.	All Outstanding Shares of Triad International, Inc.	Section 4(2)
March 31, 1999	Common Stock	670,592	Former Stockholders of GeoData Solutions, Inc.	All Outstanding Shares of GeoData Solutions, Inc.	Section 4(2)
March 31, 1999	Common Stock	234,109	Former Stockholders of Dowling Associates, Inc.	All Outstanding Shares of Dowling Associates, Inc.	Section 4(2)

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(1) Does not take into account assumed debt or cash paid to dissenting shareholders or for fractional shares.

Item 6. Selected Financial Data.

The following financial and operating data should be read in conjunction with the information set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of the Company and related notes thereto appearing elsewhere in this report. The amounts are shown in thousands, except for per share data.

	For the years ended December 31, (1)				
	2000	1999	1998	1997	1996
Revenues......................	$ 244,629	$219,491	$202,582	$183,795	$149,983
Cost of services (excluding Value Sharing Retention					

Program--"VSRP")	158,720	142,965	122,040	116,684	96,678
Value sharing retention program cash compensation expense (VSRP)	5,890	--	--	--	--
Gross profit	80,019	76,526	80,542	67,111	53,305
General and administrative expenses (excluding VSRP) (2)	59,846	58,742	43,194	47,447	42,773
Value sharing retention program cash compensation expense (VSRP)	467	--	--	--	--
Depreciation expense (2)	6,797	9,550	3,858	--	--
Amortization expense	4,573	900	--	--	--
Merger-related and restructuring costs (credits)	10,229	(881)	7,370	1,312	--
Litigation and settlement provisions	16,500	2,335	--	--	--
Stock option non-cash compensation expense	492	3,850	--	--	--
Operating income (loss) from continuing operations	(18,885)	2,030	26,120	18,352	10,532
Other income (loss), net	(1,666)	(2,653)	2,053	383	(332)
Income (loss) from continuing operations before income taxes	(20,551)	(623)	28,173	18,735	10,200
Income tax expense (benefit) (3)	(6,194)	1,534	19,920	5,571	(92)
Net income (loss) from continuing operations	(14,357)	(2,157)	8,253	13,164	10,292
Income (loss) from discontinued operations, net of income taxes	(10,193)	(12,465)	7,328	5,500	5,064
(Loss) on dispositions of discontinued operations, net of income taxes	(155,003)	--	--	--	--
Net income (loss)	$(179,553)	$(14,622)	$ 15,581	$ 18,664	$ 15,356
Basic earnings (loss) per common share:					
Net income (loss) from continuing operations	$ (0.35)	$ (0.05)	$ 0.23	$ 0.40	$ 0.32
Net income (loss) from discontinued operations	$ (0.25)	$ (0.30)	$ 0.20	$ 0.17	$ 0.15
(Loss) on dispositions of discontinued operations	$ (3.79)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Net income (loss)	$ (4.39)	$ (0.35)	$ 0.43	$ 0.56	$ 0.47
Shares used in computing net income (loss) per basic share	40,895	41,601	36,476	33,289	32,672
Diluted earnings (loss) per diluted share:					
Net income (loss) from continuing operations	$ (0.35)	$ (0.05)	$ 0.22	$ 0.39	$ 0.32
Net income (loss) from discontinued operations	$ (0.25)	$ (0.30)	$ 0.19	$ 0.16	$ 0.15
(Loss) on dispositions of discontinued operations	$ (3.79)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Net income (loss)	$ (4.39)	$ (0.35)	$ 0.41	$ 0.55	$ 0.47
Shares used in computing net income (loss) per diluted share	40,895	41,601	37,707	33,798	32,672

	As of December 31,				
	2000	1999	1998	1997	1996
Balance Sheet Data:					
Cash and cash equivalents.....	$ 48,798	$ 42,345	$119,704	$ 45,972	$ 33,859
Working capital...............	$ 63,656	$ 67,598	$146,509	$ 58,708	$ 45,551
Total assets..................	$ 163,482	$414,676	$230,517	$125,827	$ 94,542
Long-term debt, less current portion......................	$ --	$ --	$ --	$ 319	$ 1,561
Total stockholders' equity....	$ 115,725	$300,669	$164,904	$ 69,215	$ 50,686

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(1) The amounts above have been restated as described in Note 6 to the Consolidated Financial Statements. Certain business units that have previously been presented in revenues and expenses have been discontinued in the year 2000 and reclassified as discontinued operations. As a result, revenues and expenses for the years 1999, 1998, 1997, and 1996 have been reclassified to "Income (loss) from discontinued operations, net of income taxes."

(2) For the years 1997 and 1996, depreciation expense is included in "General and administrative expenses."

(3) During the periods presented, certain operating subsidiaries were entities not subject to federal income taxation. The provision for income taxes for the year ended December 31, 1998 reflects a one-time, non-cash charge of $7.2 million resulting from the conversion of one of the Company's subsidiaries from the modified cash basis to the accrual basis for tax purposes.

PART II

Item 7. 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 the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Overview

The Company is a management consulting firm to Fortune 500 companies, government agencies, law firms, financial institutions and regulated industries. The Company derives substantially all of its revenues from fees for professional services. Over the last three years, the substantial majority of the Company's revenues have been generated under standard hourly or daily rates billed on a time and expenses basis. Clients are typically invoiced on a monthly basis, with revenue recognized as the services are provided.

The Company's most significant expense is project personnel costs, which consist of consultant salaries and benefits, and travel-related direct project expenses. Project personnel are typically employed on a full-time basis, although independent contractors supplement project personnel as needed. Independent contractors are retained for specific client engagements on a task-specific, per diem basis during the period their expertise or skills are required. Retaining contractors on a per-engagement basis provides the Company with greater flexibility in adjusting project personnel levels in response to changes in demand for its services.

Acquisitions and Divestitures

The Company acquired 24 consulting firms since its initial public offering in October 1996. As part of a major realignment of the Company, three large strategic divestitures were completed in 2000. (See Note 6 to the Consolidated

Financial Statements.) In addition, the Company has shut down or sold a number of other business units that had been unprofitable or were not deemed complementary to its current business model. Of the 24 consulting firms acquired since its initial public offering in October 1996, the basic elements of 9 consulting firms plus the founding company, Metzler & Associates, Inc., still remain and represent the ongoing core business.

Financial & Claims Consulting	Energy & Water Consulting
Applied Health Outcomes, Inc.	AUC Management Consultants, Inc.
PENTA Advisory Services LLC	Hydrologic Consultants, Inc. of California
Peterson Consulting, LLC	L.E. Burgess Consultants, Inc.
The Barrington Consulting Group, Inc.	Metzler & Associates, Inc.
	Reed Consulting, Inc.
	Resource Management International, Inc.

Of the above-referenced twenty-four acquisitions, nineteen consulting firms were acquired during the past three years. During 2000, thirteen consulting firms that had been acquired during the three year period were discontinued, shut down or sold.

1998 Acquisitions. During 1998, the Company acquired eight companies: LECG, Inc. (LECG), Peterson Consulting, LLC (Peterson), Saraswati Systems Corporation (SSC), Applied Health Outcomes, Inc. (AHO), AUC Management Consultants, Inc. (AUC), Hydrologic Consultants, Inc. of California (HCI), American Corporate Resources, Inc. (ACR), and The Vision Trust Marketing Group, LLC (VTM). These transactions were accounted for by the poolings of interests method of accounting for business combinations. The Company's consolidated financial statements have been restated as if LECG, Peterson, SSC, AHO, AUC and HCI had been combined for all periods presented. The stockholders' equity and the operations of ACR and VTM were not significant in relation to those of the Company. As such, the Company recorded the ACR and VTM transactions by restating stockholders' equity as of the dates of the acquisition without restating prior period financial statements.

LECG. Based in the San Francisco, California area, LECG is a provider of economic consulting and litigation support services. As of August 19, 1998, the Company acquired substantially all of the common stock of LECG in exchange for 7.3 million shares of the Company's common stock (valued at the time of closing at approximately $228.9 million) and acquired the remaining minority interest in exchange for cash.

Peterson. Based in the Chicago area, Peterson is a provider of information management services. Peterson's operations expanded service offerings in claims management, outsourcing, litigation support, bankruptcy and information management. As of August 31, 1998, the Company acquired substantially all of the common stock of Peterson in exchange for 5.6 million shares of the Company's common stock (valued at the time of closing at approximately $156.7 million) and acquired the remaining minority interest in exchange for cash.

Other 1998 Acquisitions. The Company acquired all of the common stock of AUC, HCI, ACR as of April 3, 1998 and all of the common stock of VTM as of June 1, 1998. The Company acquired all of the common stock of SSC and AHO as of September 1, 1998. In the aggregate for these six transactions, 1.2 million shares of the Company's common stock were issued (valued at the time of closing at approximately $35.3 million).

1999 Acquisitions. During 1999, the Company completed 11 acquisitions (collectively, the "1999 Acquisitions"). The 1999 Acquisitions were accounted for by the purchase method of accounting for business combinations and, accordingly, the results of operations have been included in the consolidated financial statements from the respective dates of acquisition. On February 7, 1999, the Company issued 2.4 million shares of common stock (valued at the time of closing at approximately $123.7 million) for substantially all of the outstanding common stock of Strategic Decisions Group, Inc. and acquired the remaining minority interest in exchange for cash. On March 31, 1999, the Company completed the acquisitions of all of the outstanding stock of Triad International, Inc., GeoData Solutions, Inc., and Dowling Associates, Inc. in exchange for 1.8 million shares of the Company's common stock (valued at the time of closing at approximately $57.3 million). On September 30, 1999, the Company completed its acquisition of the business operations and certain assets of PENTA Advisory Services LLC (PENTA) and the stock of Scope International, Inc. (Scope) for a total cash purchase price of $15.1 million. The purchase agreement for PENTA also provide for additional payments, payable in cash or Company common stock, over the next four years contingent on future revenue growth and gross margin targets. The additional payments, if any, will be accounted for as additional goodwill. On October 1, 1999, the Company completed the acquisition of the stock of Brooks International AB, Brooks International SARL and SPRL, and Brooks International Consulting OY for an aggregate cash purchase price of $3.3 million. On November 1, 1999, the Company completed the acquisitions of the stock of The Barrington Consulting Group, Inc. (Barrington) in exchange for $14.4 million in cash paid at closing and total deferred cash payments of $7.8 million, payable in two equal annual installments. The purchase agreement for Barrington also provides for additional cash payments of up to $10.5 million in the aggregate, which are contingent on continued employment with the Company of certain Barrington shareholders and are payable in cash in two annual installments, the first of which was paid in October 2000. This contingent employment provision was amended, in October 2000, to increase the cash to $10.5 million. On December 1, 1999, the Company completed the acquisition of all of the assets of Glaze Creek Partners, LLC in exchange for $0.8 million in cash. There were no pre-acquisition intercompany transactions between the Company and the 1999 Acquisitions.

2000 Divestitures. During 2000, the Company discontinued, shut down or sold four of the eight companies acquired in 1998 and nine of the eleven companies acquired in 1999. (See Note 6 to the Consolidated Financial Statements.) On September 29, 2000, the Company completed the sale of LECG to a team of senior LECG professionals in a management buy-out for $45.0 million, principally in cash and notes receivable plus other contingent consideration. The Company shut down the operations of SSC in the third quarter 2000. In September 2000, ACR was sold for $1.4 million. In third quarter 2000, VTM was shut down. In July 2000, the Company sold GeoData Solutions for $9.0 million cash, and retained all accounts receivable, which had a net realizable value of approximately $4.1 million at July 1, 2000. The Company shut down the operations of Dowling Associates during the third quarter of 2000. In October 2000, the Company completed a nontaxable exchange of

SDG stock for the Company's common stock, valued at the time of closing at approximately $6.2 million. In addition, the Company received $16.0 million in cash related to this transaction. The assets of Glaze Creek Partners were included in the SDG transaction. The Company has shut down the operations of Triad International through employee terminations and has sold certain Triad International assets to the remaining employees, including client engagements in process. The purchasers also assumed certain liabilities in connection with this disposition, which was completed in June 2000. The Company is attempting to sell to either management or various interested third parties the operations of Brooks International AB, Brooks International SARL and SPRL, and Brooks International Consulting OY, and expects this process to be completed during 2001. The Company also shut down the operations of Scope in the fourth quarter of 2000.

The Company's statement of operations have been restated for the divestitures of LECG, SSC, Strategic Decisions Group, Inc., Triad International, Inc., GeoData Solutions, Inc., Dowling Associates, Inc., Brooks International AB, Brooks International SARL and SPRL, Brooks International Consulting OY, and Glaze Creek for all applicable periods presented. The revenues and expenses of these companies are included in "Income (loss) from discontinued operations, net of income taxes." Scope, VTM and ACR were not part of discontinued operations and their operating results are included in continuing operations for all periods since the dates of acquisition.

The Company expects to continue to selectively acquire companies as an element of its strategy. Acquisitions involve certain risks that could cause negatively impact the Company's growth. The risks include the following:

--The inability to identify suitable acquisition candidates;

--The inability to acquire consulting firms on favorable terms;

--The loss of potential acquisitions to competitors;

--The inability to integrate certain consulting or administrative operations of acquired businesses; and

--The inability to integrate acquired businesses in a cost efficient and timely manner.

An inability to effectively integrate the acquisitions or any companies acquired in the future may adversely affect the Company's ability to bid successfully on engagements and to expand the business. Performance problems or dissatisfied clients at one company could have an adverse effect on the Company's reputation as a whole. If the Company's reputation were damaged, for those or other reasons, this could make it difficult to market services or to acquire additional companies in the future.

Acquisitions also involve a number of additional risks, including, among others, the following:

--Diversion of management's attention;

--Potential loss of key clients or personnel;

--Risks associated with unanticipated assumed liabilities and problems; and

--Risks of managing businesses or entering markets in which the Company has limited or no direct expertise.

The Company believes that its ongoing core business units have stable client bases and will have the resources available to serve those clients. The Company has become more industry specific with its current core business units and has certain risks that could affect its ability to operate as a viable business. These risks, among others, include the loss of major clients or engagements to competitors and the inability to hire and retain consultants with expertise in the Company's consulting engagements.

Results of Continuing Operations

The following table sets forth, for the periods indicated, selected statement of operations data as a percentage of revenues:

	Years ended December 31,		
	2000	1999	1998
Revenues..	100.0%	100.0%	100.0%
Cost of services (excluding Value Sharing Retention			

Program--"VSRP")	64.9	65.1	60.2
Value sharing retention program cash compensation expense (VSRP)	2.4	--	--
Gross profit	32.7	34.9	39.8
General and administrative expenses (excluding VSRP)	24.5	26.8	21.3
Value sharing retention program cash compensation expense (VSRP)	0.2	0.0	0.0
Depreciation expense	2.7	4.4	1.9
Amortization expense	1.9	0.4	0.0
Merger-related and restructuring costs (credits)	4.2	(0.4)	3.6
Litigation and settlement provisions	6.7	1.1	--
Stock option non-cash compensation expense	0.1	1.7	--
Operating income (loss) from continuing operations	(7.6)	0.9	13.0
Other income (loss), net	(0.7)	(1.2)	1.0
Income from continuing operations before income taxes	(8.3)	(0.3)	14.0
Income tax expense (benefit)	(2.5)	0.7	9.8
Net income (loss) from continuing operations	(5.8)	(1.0)	4.2
Income (loss) from discontinued operations, net of income taxes	(4.2)	(5.7)	3.6
(Loss) on dispositions of discontinued operations, net of income taxes	(63.4)	--	--
Net income (loss)	(73.4)%	(6.7)%	7.8%

2000 Compared to 1999

Revenues. Revenues increased $25.1 million, or 11.4%, to $244.6 million in the year ended December 31, 2000, from $219.5 million in 1999. The increase in revenues was primarily due to the acquisitions of Barrington and PENTA ("Continuing 1999 Acquisitions"). Pro forma revenues, adjusted for the effect of the Continuing 1999 Acquisitions as if those companies were acquired January 1, 1999, were $240.8 million for the year ended December 31, 1999. When comparing revenues generated in 2000 to pro forma revenues of 1999, revenues increased $3.8 million, or 1.6%.

Cost of Services (including Value Sharing Retention Expense). Cost of services includes consultant compensation and benefits, direct project-related expenses and client development expenses. For the year ended December 31, 2000, cost of services was $164.6 million, which increased $21.6 million, or 15.1%, from $143.0 million for the year ended December 31, 1999. Including pre-acquisition cost of services of the Continuing 1999 Acquisitions for the year ended December 31, 1999, pro forma cost of services for the period was $164.1 million. When comparing cost of services for 2000 to pro forma cost of services of 1999, cost of services increased $0.5 million.

Gross Profit. Gross profit consists of revenues less cost of services, which includes consultant compensation and benefits and direct project-related expenses. Gross profit increased $3.5 million, or 4.6%, to $80.0 million in 2000, from $76.5 million in 1999 and is related to acquisitions of Barrington and PENTA.

General and Administrative Expenses (including Value Sharing Retention Expense). General and administrative expenses include facility related costs, salaries and benefits of management and support personnel, allowances for uncollectible accounts receivable, professional fees, and all other corporate support costs. General

and administrative expenses for the year ended December 31, 2000 increased

$1.6 million, or 2.7%, to $60.3, million from $58.7 million in 1999. Including the pre-acquisition general and administrative expenses of the Continuing 1999 Acquisition as if those companies were acquired January 1, 1999, general and administrative expense for the year 2000 decreased $1.6 million, or 2.6%, from pro forma expense of $61.9 million. This net decrease of $1.6 million primarily consists of a decrease in bad debt expense and outside professional service fees, which has been partially offset by an increase in facility related costs. Bad debt expense decreased $4.8 million due to management's increased focus on collection efforts and on more timely billings. Days sales outstanding for continuing operations decreased from 114 days at December 31, 1999 to 84 days at December 31, 2000. Professional fees decreased $1.6 million primarily due to lower legal expense incurred in 2000. Various litigation matters were settled in 2000, which resulted in lower legal expenses when compared to 1999. Facility related costs and telecommunication expenses increased $4.9 million due to expansion of offices in major cities throughout the United States.

Depreciation Expense. Depreciation expense for the year ended December 31, 2000 was $6.8 million, a decrease of $2.8 million, or 29.2%, from the $9.6 million in depreciation expense for the year ended December 31, 1999. Depreciation expense for the year ended December 31, 1999 included write-downs of certain computer equipment and software and an impairment of the Company corporate headquarters. Based on a comprehensive review of the Company's long-lived assets at December 31, 1999, it was determined that the asset value of certain computer equipment and software had a shorter depreciable life and, therefore, a lower carrying value. The Company recorded a non-cash charge to depreciation expense of $3.0 million in 1999 to reflect the impairment of these assets. In addition, the Company through an independent appraisal re-evaluated the carrying amount and net realizable value of its corporate headquarters and land after a preliminary decision was made to dispose of the assets. The Company recorded additional depreciation of $1.1 million to reflect the building impairment. The Company is not, at this time, planning to sell its corporate headquarters.

Amortization Expense. The excess of cost over the net assets acquired for the Continuing 1999 Acquisitions of approximately $34.2 million has been recorded as intangible assets, including goodwill, and is being amortized on a straight-line basis over 7 years. Amortization expense for the year ended December 31, 2000 was $4.6 million. The $0.9 million non-cash expense recorded in 1999 represents the pro rata amortization from the respective acquisition dates through December 31, 1999. Amortization would have been approximately $4.5 million had the Continuing 1999 Acquisitions occurred as of January 1, 1999.

Merger-Related and Restructuring Costs (Credits). Merger-related and restructuring costs for the year ended December 31, 2000 relate to costs associated with restructuring the Company's continuing core businesses. The Company recorded a charge of $10.2 million for employee severance-related costs and facility closing or space reduction costs in 2000.

Litigation and Settlement Provisions. Litigation and settlement costs totaled $16.5 million for the year ended December 31, 2000, an increase of $14.2 million from the $2.3 million expense recorded in the year ended December 31, 1999. As previously disclosed, the Company has agreed to settle for $23 million the 21 consolidated securities law class action suits, subject to court approval. Under the settlement agreement, the Company has contributed $16.5 million into escrow and, accordingly, recorded a charge for the amount. The remaining $6.5 million was contributed by one of its insurers, under an agreement reached with the insurer and the Company, which is also subject to court approval.

Other Income (Loss), Net. Other income (loss), net, includes interest expense, interest income and other non-operating income and expenses. Net other loss for the year ended December 31, 2000 was $1.7 million, compared to $2.7 million for 1999. The decrease is primarily related to market valuation of former officers' loan impairment charges being greater in 1999 than 2000.

Income Tax Expense (Benefit). The Company had an income tax benefit of $6.2

million for the year ended December 31, 2000, which decreased by $7.7 million when compared to the income tax expense of $1.5 million for the year 1999. This difference is primarily due to higher litigation and settlement provisions, higher

restructuring costs and lower depreciation expense in 2000 than 1999. The Company's results of operations in 2000 included $4.6 million of non-cash, non-deductible amortization expenses from the 1999 Acquisitions and $0.5 million of non-cash, non-deductible stock compensation expense. Excluding the effect of these non-deductible items, the effective tax rate for 2000 would have been 40.0% based on a taxable loss of $15.5 million. The Company's results of operations in 1999 included $0.9 million of non-cash, non-deductible amortization expenses from the 1999 Acquisitions and $3.9 million of non-cash, non-deductible stock compensation expense. Excluding the effect of these non-deductible items, the effective tax rate for 1999 would have been 37.1% based on a taxable income of $4.1 million.

Net Income (Loss). The Company's net loss of $179.6 million represents a $165.0 million decline from the 1999 net loss of $14.6 million. This decline is primarily attributed to a higher restructuring charge of $11.1 million, higher litigation settlement provision of $14.2 million and the loss on disposition of discontinued operations charge of $155.0 million. This loss on dispositions of discontinued operations primarily relates to impairment of intangible assets from certain businesses of the 1999 Acquisitions.

1999 Compared to 1998

Revenues. Revenues increased $16.9 million, or 8.3%, to $219.5 million in 1999, from $202.6 million in 1998. The increase in revenue was primarily due to acquisitions, expansion of professional services provided to new clients, engagements with new clients, and selling and business development efforts. During 1999, the Company made acquisitions consistent with its strategy of acquiring consulting firms that provide complementary services. For 1999, the increase in revenues due to the Continuing 1999 Acquisitions was $4.9 million, or 2.5%.

Cost of Services. Cost of Services for 1999 was $142.9 million, compared to $122.0 million in 1998, an increase of $20.9 million, or 17.2%. The increase in cost of services for 1999 is primarily due to an increase of $14.0 million consultant incentive compensation for retention purposes, $1.0 million of acquisition-related compensation, and $4.9 million in consultant salaries. The increase in consultant salaries was primarily related to the Continuing 1999 Acquisitions, which accounted for $3.6 million of the increase.

Gross Profit. Gross profit decreased $4.0 million, or 5%, to $76.5 million in 1999, from $80.5 million in 1998. The decrease in gross profit is primarily attributed to the increase in consultant incentive compensation for retention purposes being higher than the increase in revenues.

General and Administrative Expenses. General and administrative expenses for the year ended December 31, 1999 increased $15.5 million, or 35.9%, to $58.7 million, which represented 26.7% of revenues, compared to $43.2 million, or 21.3%, of revenues, in 1998. The increase in general and administrative expenses was primarily due to a $9.7 million in bad debt expense and $6.6 million in professional fees primarily related to legal expenses, partially offset by $1.4 million decrease in personnel wage and benefit cost. The acquisitions of Barrington and PENTA in 1999 had a $0.8 million impact on the total increase from 1998 to 1999.

Depreciation Expense. For 1999, depreciation expense was $9.6 million, an increase of $5.7 million from $3.9 million for 1998. Based on a comprehensive review of the Company's long-lived assets at December 31, 1999, it was determined that asset value of certain computer equipment and software had a shorter depreciable life and, therefore lower carrying values. The Company recorded a non-cash charge to depreciation expense of $3.0 million in 1999 to reflect the impairment of these assets. In addition, the Company, through an independent appraisal, re-evaluated the carrying amount and net realizable value of its corporate headquarters and land after a preliminary decision was made to dispose of the assets. The Company recorded additional depreciation expense of $1.1 million to reflect the impairment. Excluding the two impairment charges totaling $4.1 million, depreciation expense increased $1.6 million for the year ended December 31, 1999 over 1998, and is related to capital expenditures on equipment and facility expansions.

Amortization Expense. Amortization expense was $0.9 million for the year ended December 31, 1999. The excess of cost over net assets acquired for the Continuing 1999 Acquisitions included in continuing operations

of approximately $32.2 million was recorded as intangible assets, including goodwill, in 1999. These intangibles are being amortized on a straight-line basis over 7 years. There was no amortization expense associated with continuing operations recorded in the first nine months of 1999. Had the Continuing 1999 Acquisitions been acquired as of January 1, 1999, amortization expense would have been $4.5 million.

Merger-Related and Restructuring Costs (Credits). Merger-related costs decreased $8.3 million, to a credit of $.9 million in 1999, from $7.4 million in 1998. During 1998, the Company incurred merger-related costs related to the acquisition of Peterson, which was accounted for as a pooling of interests business combination. These costs include legal, accounting and other merger-related fees and expenses, as well as accruals to consolidate certain facilities. For the year 1999, the Company reviewed the merger-related accruals and determined certain amounts previously accrued were no longer necessary given subsequent acquisition activity and changes in the Company's organizational structure. The results of operations for the year ended December 31, 1999 reflect a benefit of $0.9 million for the reversal of the previously accrued amounts.

Litigation and Settlement Provisions. Litigation and settlement provisions were $2.3 million for the year ended December 31, 1999. During the fourth quarter 1999, the Company settled a lawsuit initially brought by the Company against former shareholders of an acquired company which was countered by the defendants asserting various causes of actions against the Company. The lawsuit was settled by a cash payment of $1.8 million. In addition, the Company had other settlement costs of totaling $0.5 million unrelated to any lawsuits.

Stock Option Compensation Expense. The Company recorded $3.5 million for stock option compensation expense in 1999 attributable to 0.3 million option grants to a total of 16 individuals that the Company has determined, based in part on the absence of contemporaneous documentation, were issued at prices below fair market value. The amount charged to expense was calculated using the intrinsic value method for employees and the Black-Scholes option pricing model for non-employees, and approximates the aggregate dollar amount by which the grant prices of the options differed from the market prices as of the dates for which the Company has independent evidence to support the issuance of the options. The Company recorded an additional $0.4 million of stock option compensation expense to amortize the value of certain options retained by a former employee upon separation from the Company.

Other Income (Loss), Net. For the year ended December 31, 1999, other income (loss), net, decreased $4.7 million to a net other loss of $2.7 million, from a net other income of $2.1 million for 1998. The decrease in non-operating income was due primarily as a result of a $5.3 million charge to reflect the probable impairment in the value of certain former officers' loans receivable. (See Note 3 to the Consolidated Financial Statements.) This charge was partially offset by higher interest income realized in 1999 as a result of larger average cash balances outstanding during the year.

Income Tax Expense. Income tax expense decreased $18.4 million to $1.5

million in 1999, from $19.9 million in 1998. The Company's result of operations in 1999 included $0.9 million of non-cash, non-deductible amortization expenses from the Continuing 1999 Acquisitions and $3.9 million of non-cash, non-deductible stock compensation expense. Excluding the effect of these non-deductible items, the effective tax rate for 1999 would have been 37.1% based on a taxable income of $4.1 million. The Company's effective income tax rate was 70.7% for the year ended December 31, 1998. The effective rate for this period would have been 39.8% excluding the effect of the one-time non-cash charge to income tax expense of $7.2 million and the effect of certain non-tax deductible merger-related expenses resulting from the acquisition of Peterson. The $7.2 million charge related to the conversion of Peterson from the modified cash basis to the accrual basis of accounting for tax purposes.

Net Income (Loss). Net income decreased approximately $30.2 million from $15.6 million income in 1998, to $14.6 million loss in 1999. The primary reason for the decline relates to the results of discontinued operations. Loss from discontinued operations, net of income taxes for 1999 was $12.5 million compared to an income of $7.3 million for 1998. In addition, the decline is attributed to lower gross profits over the prior year combined with higher general and administrative expenses, higher depreciation expense, higher litigation settlement provisions and stock option compensation expense offset by lower merger-related charges.

Unaudited Quarterly Results

The following table sets forth-certain unaudited quarterly operating information. The unaudited quarterly operating data has been prepared on the same basis as the audited financial statements contained elsewhere in this Form 10-K. The data includes all normal recurring adjustments necessary for the fair presentation of the information for the periods presented, when read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto. The amounts have been restated to retroactively exclude the results of discontinued operations for certain business divestitures completed in 2000. The revenues and expenses have been appropriately reclassified into "Income (loss) on discontinued operations, net of income taxes." Results for any previous quarter are not necessarily indicative of results for the full year or for any future quarter. The amounts in the following table are in thousands, except for per share data.

	Quarters ended							
	Mar. 31, 1999	Jun. 30, 1999	Sept. 30, 1999	Dec. 31, 1999	Mar. 31, 2000	Jun. 30, 2000	Sept. 30, 2000	Dec. 31, 2000
Revenues................	$51,678	$54,802	$54,956	$ 58,055	$65,842	$ 58,465	$ 61,260	$59,062
Cost of services (excluding VSRP).......	30,029	28,310	29,917	54,709	41,760	39,733	38,760	38,467
Value sharing retention plan cash compensation expense (VSRP).........	--	--	--	--	--	--	1,559	4,331
Gross profit...........	21,649	26,492	25,039	3,346	24,082	18,732	20,941	16,264
General and administrative expenses (excluding VSRP).......	9,180	11,972	10,054	27,536	15,019	16,302	14,843	13,682
Value sharing retention plan cash compensation expense (VSRP).........	--	--	--	--	--	--	117	350
Depreciation expense....	1,247	1,233	1,296	5,774	1,771	1,573	1,653	1,800
Amortization expense....	--	--	--	900	1,130	1,130	1,222	1,091
Merger-related cost and restructuring costs (credits).............	--	--	(881)	--	--	9,285	944	--
Litigation and settlement provisions..	--	--	--	2,335	--	16,000	500	--
Stock option non-cash compensation expense...	1,698	532	1,064	556	184	137	102	69

Operating income (loss) from continuing operations	9,524	12,755	13,506	(33,755)	5,978	(25,695)	1,560	(728)
Other income (loss), net	1,092	875	1,054	(5,674)	44	(1,932)	(240)	462
Income (loss) from continuing operations before income taxes	10,616	13,630	14,560	(39,429)	6,022	(27,627)	1,320	(266)
Income tax expense (benefit)	4,970	5,609	6,166	(15,211)	2,935	(10,474)	1,087	258
Net income (loss) from continuing operations	5,646	8,021	8,394	(24,218)	3,087	(17,153)	233	(524)
Income (loss) from discontinued operations, net of income taxes	1,578	118	(533)	(13,628)	(7,267)	(2,926)	--	--
(Loss) on dispositions of discontinued operations, net of income taxes						(145,917)	(10,264)	1,178
Net income (loss)	$ 7,224	$ 8,139	$ 7,861	$(37,846)	$(4,180)	$(165,996)	$(10,031)	$ 654
Net income (loss) from continuing operations, per diluted shares (1)	$ 0.17	$ 0.19	$ 0.17	$ (0.91)	$ (0.10)	$ (4.02)	$ (0.24)	$ 0.02
Diluted shares	41,786	43,508	45,357	41,798	41,119	41,265	41,348	39,846

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(1) The sum of quarterly earnings per diluted share does not equal to annual amounts in 1999 and 2000 because of roundings and changes in the weighted average number of shares.

Operating results fluctuate from quarter to quarter as a result of a number of factors, including the significance of client engagements commenced and completed during a quarter, the number of business days in a quarter, and employee hiring and utilization rates. The timing of revenues varies from quarter to quarter due to factors such as the Company's revenue cycle, the ability of clients to terminate engagements without penalty, the size and scope of assignments, and general economic conditions. Because a significant percentage of the Company's expenses are relatively fixed, a variation in the number of client assignments, or the timing of the initiation or the completion of client assignments, can cause significant variations in operating results from quarter to quarter. Furthermore, the Company has, on occasion, experienced a seasonal pattern in its operating

results, with a smaller proportion of the Company's revenues and lower operating income occurring in the fourth quarter of the year, or a smaller sequential growth rate than in other quarters.

During the quarter ended June 30, 2000, the Company incurred certain pre-tax expenses that varied significantly from other quarters during the year ended December 31, 2000. The expenses aggregated $27.3 million and consisted of the following: $16.0 million litigation and settlement provisions, $9.3 million in merger-related and restructuring costs and $2.0 million for additional loss contingencies related to the further impairment of notes receivable from certain former Company officers. (See Note 3 to the Consolidated Financial Statements.)

During the quarter ended December 31, 1999, the Company incurred certain pre-tax expenses that varied significantly from expense levels recorded in prior quarterly periods during the year. The aggregate of these expenses amounted to $46.8 million and consisted of the following: $20.0 million of additional costs of services, $14.5 million of incremental general and administrative expenses, $4.1 million of incremental depreciation, $2.3 million of incremental litigation settlement and $5.9 million of other incremental non-operating expenses. The higher fourth quarter 1999 pre-tax expenses were due primarily to incremental compensation expense to provide for competitive levels of incentive compensation and promote employee retention, write-downs of certain fixed assets, professional fees and other costs related to the settlement of certain then outstanding litigation, and allowance for uncollectible accounts. The increase in non-operating expenses for the fourth quarter was primarily the result of a loss contingency accrued at December 31, 1999 in the amount of $5.3 million, related to the impairment of notes receivable from certain former Company officers.

Liquidity and Capital Resources

Summary

The Company had approximately $48.8 million in cash and cash equivalents at December 31, 2000, principally resulting from sales proceeds of certain divestitures and the reduction, via collections, of accounts receivable. The Company's balance sheet remains liquid at December 31, 2000 and does not have any debt. As of December 31, 2000, cash and cash equivalents represented 77% of working capital, an increase of 14% from the 63% ratio at December 31, 1999. Working capital, the excess of current assets over current liabilities, decreased $3.9 million from $67.6 million at December 31, 1999 to $63.7 million at December 31, 2000. The Company's days sales outstanding for continued operations was 84 days at December 31, 2000 compared to 114 days at December 31, 1999.

Cash Flow

Net cash used by operating activities of continuing operations was $12.4 million for the year ended December 31, 2000. During the year, the primary sources of cash provided by operating activities was net income adjusted for non-cash charges of depreciation, amortization, former officers' notes impairment provision, stock compensation expense and loss on dispositions of discontinued operations. The net loss adjusted for these non-cash charges was $0.9 million. The Company's operating cash from continuing operations was primarily used for incentive compensation payments, acquisition-related payments and contingent employment payments pertaining to 1999 Acquisitions, which totaled $11.7 million. Accounts receivable provided $8.3 million for continuing operating cash flows as a result of the reduction in days sales outstanding. Operating cash flow was negatively affected by the net of a decrease of $11.0 million in other current liabilities, an increase of $7.7 million in income taxes receivable and the non-cash charge of $7.2 million relating to deferred income taxes.

Net cash provided by investing activities of continuing operations was $52.8 million. The Company received $62.3 million of sales proceeds in consideration for several business unit divestitures. (See Note 6 to the Consolidated Financial Statements.) The Company used $8.7 million for capital spending to support growth in personnel and services. These investments included leasehold improvements, furniture and equipment for new leased facilities, and additional computer and related equipment for information management consulting services.

Net cash used in financing activities of continuing operations was $11.3 million in 2000. During the year, the Company received net cash and related tax benefits of $2.3 million from transactions related to stock option

exercises and employee stock purchases. The Company used $10.0 million to pay off borrowings on the line of credit facility and $3.6 million to purchase treasury shares. In addition, the Company received $6.2 million in connection with a non-taxable exchange of SDG stock for 1.6 million shares of the Company's Common Stock.

As of December 31, 2000, the Company had no significant commitments for capital expenditures, except for those related to rental expense under operating leases. The total amount of operating lease payments in 2001 is expected to be approximately $8.9 million. Other lease commitments in 2001 are expected to be $2.7 million and are part of the restructuring plan.

The Company's cash equivalents were primarily limited to fully pledged commercial paper or securities (rated A or better) with maturity dates of 90 days or less.

Debt and Capital

The Company maintains a $35.0 million unsecured revolving line of credit arrangement with LaSalle Bank. The line of credit bears interest at prime or LIBOR plus 1.0%. Under the agreement, the Company may borrow a maximum amount of up to 80% of eligible accounts receivable. The agreement contains certain covenants, the most restrictive of which require the Company to maintain a minimum level of earnings before interest, taxes, depreciation and amortization. The Company was in compliance with the terms of the agreement as of December 31, 2000. The Company did not have a balance outstanding under the line of credit at December 31, 2000. In February 2001, the Company amended the line of credit agreement with no substantive changes in the terms and conditions, except that the amended agreement expires on May 31, 2003.

The Company believes that the current cash and cash equivalents, the future cash flows from operations and the $35.0 million line of credit facility will provide adequate cash to fund anticipated short-term and long-term cash needs from normal operations. In the event the Company were to make significant cash expenditures in the future for major acquisitions or other non-operating activities, the Company would seek additional debt or equity financing, as appropriate. The Company had no plans or intentions for such expenditures as of December 31, 2000.

Recently Issued Financial Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities in June 1998. Subsequently, SFAS No. 133 was amended by SFAS No. 138, "Accounting for Certain Derivatives Instruments and Certain Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This Statement is effective for fiscal years beginning 2001. The Company does not currently have any derivative instruments or conduct any hedging activities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risks.

The Company's primary exposure to market risks relates to changes in interest rates associated with its investment portfolio, classified as cash equivalents, and its borrowings under the line of credit. The Company's general investment policy is to limit the risk of principal loss by limiting market and credit risks. As of December 31, 2000, the Company's investments were primarily limited to fully collateralized, A rated securities with maturity dates of 90 days or less. If interest rates average 25 basis points less in fiscal year 2001 than they did in 2000, the Company's interest income would be decreased by $0.1 million. This amount is determined by considering the impact of this hypothetical interest rate on the Company's investment portfolio at December 31, 2000. The Company does not expect any loss with respect to its investment portfolio. The Company's market risk associated with its line of credit relates to changes in interest rates. Borrowings under the line of credit bear interest, at the Company's option, based on either the London Interbank Offered Rate (LIBOR) or the prime rate. If interest rates average 25 basis points higher in 2001 than they did in 2000, the Company's interest expense would increase by less than $0.1 million. This amount is determined based on the amount of short-term debt at

December 31, 1999. The Company does not currently have any short-term debt, long-term debt, interest rate derivatives, forward exchange agreements, firmly committed foreign currency sales transactions, or derivative commodity instruments.

The Company operates in foreign countries which exposes it to market risk associated with foreign currency exchange rate fluctuations; however, such risk is immaterial at this time to the Company's consolidated financial statements.

Item 8. Consolidated Financial Statements and Supplemental Data.

The Consolidated Financial Statements of the Company are annexed to the report as pages F-1 through F-27. An index to such materials appears on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information required in response to this Item is incorporated by reference from the Company's definitive proxy statement for the Company's Annual Meeting of Stockholders scheduled to be held on April 26, 2001, which proxy statement will be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the Company's year ended December 31, 2000.

Item 11. Executive Compensation.

Information required in response to this Item is incorporated by reference from the Company's definitive proxy statement for the Company's Annual Meeting of Stockholders scheduled to be held on April 26, 2001, which proxy statement will be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the Company's year ended December 31, 2000.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information required in response to this Item is incorporated by reference from the Company's definitive proxy statement for the Company's Annual Meeting of Stockholders scheduled to be held on April 26, 2001, which proxy statement will be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the Company's fiscal year ended December 31, 2000.

Item 13. Certain Relationships and Related Transactions.

Information required in response to this Item is incorporated by reference from the Company's definitive proxy statement for the Company's Annual Meeting of Stockholders scheduled to be held on April 26, 2001, which proxy statement will be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the Company's fiscal year ended December 31, 2000.

PART IV

Item 14 Exhibits, Financial Statements and Reports on Form 8-K.

(a) The consolidated financial statements filed as part of this report are listed in the accompanying Index to Consolidated Financial Statements. The Financial Statement Schedule filed as part of this report is listed below.

(b) The Registrant filed the following Current Reports on Form 8-K during the quarter ended December 31, 2000:

(1) A Form 8-K dated December 5, 2000 reporting under Item 5 of Form 8-K

the proposed settlement of shareholder class action lawsuit.

(c) The exhibits filed as part of this report are listed below:

a. Exhibits:

Exhibit No.	Description
2.1	Asset Purchase Agreement dated as of September 29, 2000 among Navigant Consulting, Inc., LECG, Inc., LECG Holding Company, LLC and LECG, Inc. (9)
3.1	Amended and Restated Certificate of Incorporation of the Registrant (1)
3.2	Amendment No. 1 to Amended and Restated Certificate of Incorporation of the Registrant (2)
3.3	Amendment No. 2 to Amended and Restated Certificate of Incorporation of the Registrant (3)
3.4	Amended and Restated By-Laws of the Registrant (4)
4.1	Form of Registration Agreement (6)
4.2	Rights Agreement dated as of December 15, 1999 between the Registrant and American Stock Transfer & Trust Company, as Rights Agent, (which includes the form of Certificate of Designations setting forth the terms of the Series A Junior Participating Preferred Stock as Exhibit A, the form of Rights Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Stock as Exhibit C)(7)
10.1*+	The Metzler Group, Inc. Long-Term Incentive Plan
10.2+	The Metzler Group, Inc. Employee Stock Purchase Plan (8)
10.3+	Amendment No. 1 to The Metzler Group, Inc. Employee Stock Purchase Plan (6)
10.4+	Amendment No. 2 to The Metzler Group, Inc. Employee Stock Purchase Plan (6)
10.5	Amendment No. 3 to The Metzler Group, Inc. Employee Stock Purchase Plan (5)
10.6+	Amendment No. 4 to The Metzler Group, Inc. Employee Stock Purchase Plan (5)
10.7*+	Amendment No. 5 to The Metzler Group, Inc. Employee Stock Purchase Plan
10.8+	Letter agreement dated February 1, 2000 between the Registrant and Phillip P. Steptoe (5)
10.9*+	Employment Agreement and Amendment number 1 dated May 19, 2000 between the Registrant and William M. Goodyear.
10.10*+	Employment Agreement dated May 19, 2000 between the Registrant and Ben W. Perks.
21.1*	Significant Subsidiaries of the Registrant.
23.1*	Consent of KPMG LLP

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(1) Incorporated by reference from the Registrant's Registration Statement on Form S-1 (Registration No. 333-9019) filed with the SEC on July 26, 1996

(2) Incorporated by reference from the Registrant's Registration Statement on Form S-3 (Registration No. 333-40489) filed with the SEC on November 18, 1997.

(3) Incorporated by reference from the Registrant's Form 8-A12B filed with the SEC on July 20, 1999.

(4) Incorporated by reference from the Registrant's Amendment No. 1 to

Registration Statement on Form S-3 (Registration No. 333-40489) filed with the SEC on February 12, 1998.

(5) Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999.

(6) Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.

(7) Incorporated by reference from the Registrant's Current Report on Form 8-K dated December 15, 1999.

(8) Incorporated by reference from the Registrant's Registration Statement on Form S-8 (Registration No. 333-30265) filed with the SEC on June 27, 1997.

(9) Incorporated by reference from the Registrant's Current Report on Form 8-K dated September 29, 2000.

* Indicates filed herewith.

\+ Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit to the Form 10-K.

b. Financial Statement Schedule:

Report of Independent Auditors

Schedule II: Valuation and Qualifying Accounts

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 12, 2001

/s/ William M. Goodyear

By: ________________________________

William M. Goodyear
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ William M. Goodyear William M. Goodyear	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	March 12, 2001
/s/ Ben W. Perks Ben W. Perks	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 12, 2001
/s/ Thomas A. Gildehaus Thomas A. Gildehaus	Director	March 12, 2001
/s/ Peter B. Pond Peter B. Pond	Director	March 12, 2001

/s/ Samuel K. Skinner ______________________________________ Samuel K. Skinner	Director	March 12, 2001
/s/ Carl S. Spetzler ______________________________________ Carl S. Spetzler	Director	March 12, 2001
/s/ Governor James R. Thompson ______________________________________ Governor James R. Thompson	Director	March 12, 2001

INDEX TO THE FINANCIAL STATEMENTS

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements as of December 31, 2000 and 1999, and for each of the three years ended December 31, 2000.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Navigant Consulting, Inc.:

We have audited the accompanying consolidated balance sheets of Navigant Consulting, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Navigant Consulting, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Chicago, Illinois
February 19, 2001

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,798	$ 42,345
Accounts receivable, net	55,012	116,100
Prepaid expenses and other current assets	3,776	7,364
Income tax receivable	476	8,211
Deferred income taxes	3,351	2,385
Total current assets	111,413	176,405
Property and equipment, net	19,328	33,763
Goodwill and intangible assets, net	27,523	202,096
Deferred income taxes	3,708	--
Other assets	1,510	2,412
Total assets	$ 163,482	$414,676
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ --	$ 10,000
Accounts payable and accrued liabilities	17,468	20,709
Accrued compensation and project costs	18,933	58,425
Other current liabilities	11,356	19,673
Total current liabilities	47,757	108,807
Deferred income taxes	--	725
Other non-current liabilities	--	4,475
Total liabilities	47,757	114,007
Stockholders' equity:		
Preferred stock, $.001 par value per share; 3,000 shares authorized; no shares issued or outstanding	--	--
Common stock, $.001 par value per share; 75,000 shares authorized; 38,444 and 41,042 shares issued at December 31, 2000 and 1999, respectively	43	43
Additional paid-in capital	343,340	340,528
Treasury stock	(63,541)	(52,811)
Notes receivable from former officers	--	(2,583)
Retained earnings (accumulated deficit)	(163,903)	15,650
Accumulated other comprehensive loss	(214)	(158)
Total stockholders' equity	115,725	300,669
Total liabilities and stockholders' equity	$ 163,482	$414,676

See accompanying notes to the consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	For the years ended December 31,		
	2000	1999	1998
Revenues	$ 244,629	$219,491	$202,582
Cost of services (excluding VRSP)	158,720	142,965	122,040
Value sharing retention program cash compensation expense (VSRP)	5,890	--	--
Gross profit	80,019	76,526	80,542
General and administrative expenses (excluding VRSP)	59,846	58,742	43,194
Value sharing retention program cash compensation expense (VSRP)	467	--	--
Depreciation expense	6,797	9,550	3,858
Amortization expense	4,573	900	--
Merger-related and restructuring costs (credits)	10,229	(881)	7,370
Litigation and settlement provisions	16,500	2,335	--
Stock option non-cash compensation expense	492	3,850	--
Operating income (loss) from continuing operations	(18,885)	2,030	26,120
Other income (loss), net	(1,666)	(2,653)	2,053
Income (loss) from continuing operations before income taxes	(20,551)	(623)	28,173
Income tax expense (benefit)	(6,194)	1,534	19,920
Net income (loss) from continuing operations	(14,357)	(2,157)	8,253
Income (loss) from discontinued operations, net of income taxes	(10,193)	(12,465)	7,328
(Loss) on dispositions of discontinued operations, net of income taxes	(155,003)	--	--
Net income (loss)	$(179,553)	$(14,622)	$ 15,581
Basic earnings (loss) per share:			
Net income (loss) from continuing operations	$ (0.35)	$ (0.05)	$ 0.23
Net income (loss) from discontinued operations	$ (0.25)	$ (0.30)	$ 0.20
(Loss) on dispositions of discontinued operations	$ (3.79)	$ 0.00	$ 0.00
Net income (loss) per common share:	$ (4.39)	$ (0.35)	$ 0.43
Shares used in computing net income (loss) per basic share	40,895	41,601	36,476
Diluted earnings (loss) per share:			
Net income (loss) from continuing operations	$ (0.35)	$ (0.05)	$ 0.22
Net income (loss) from discontinued operations	$ (0.25)	$ (0.30)	$ 0.19
(Loss) on dispositions of discontinued operations	$ (3.79)	$ 0.00	$ 0.00
Net income (loss) per common share:	$ (4.39)	$ (0.35)	$ 0.41

Shares used in computing net income (loss) per diluted share..................................	40,895	41,601	37,707

See accompanying notes to the consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Preferred Stock Shares	Common Stock Shares	Treasury Stock Shares	Preferred Stock Par Value	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock Cost	Notes Receivable from Stockholders/ Former Officers	Accumulated Other Comprehensive (Loss) Income	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
Balance at December 31, 1997...........	--	34,954			$35	$ 56,580	$ --	$ (2,755)	$ (57)	$ 15,412	
Comprehensive income..........									27	15,581	
Issuance of common stock....		3,645			4	96,965					
Purchase of common stock....		(595)			(1)	(18,921)					
Distributions...										(721)	
Collection of notes receivable from stockholders....								2,755			
Balance at December 31, 1998...........	--	38,004	--	--	38	134,624	--	--	(30)	30,272	
Comprehensive loss...........									(128)	(14,622)	
Issuance of common stock....		5,387			5	215,160					
Purchase of common stock....		(263)	(2,086)			(13,335)	(52,811)				
Stock option compensation expense.........						3,850					
Issuance of notes receivable from former officers.								(20,550)			
Interest on notes receivable from former officers.						229		(229)			
Collection of notes receivable from former officers........								12,929			
Impairment of notes receivable from former officers........								5,267			
Balance at December 31, 1999...........	--	43,128	(2,086)	--	43	340,528	(52,811)	(2,583)	(158)	15,650	
Comprehensive loss...........									(56)	(179,553)	
Issuance of common stock....		305				2,320					
Purchase of treasury stock..			(1,310)				(4,555)	920			
Nontaxable stock exchange-- disposition of business........			(1,593)				(6,175)				
Stock option compensation expense.........						492					
Impairment of notes receivable from former officers........								1,663			
Balance at December 31, 2000...........	--	43,433	(4,989)	--	$43	$343,340	$(63,541)	$ --	$(214)	$(163,903)	

Balance at December 31, 1997	$ 69,215
Comprehensive income	15,608
Issuance of common stock	96,969
Purchase of common stock	(18,922)
Distributions	(721)
Collection of notes receivable from stockholders	2,755
Balance at December 31, 1998	164,904
Comprehensive loss	(14,750)
Issuance of common stock	215,165
Purchase of common stock	(66,146)
Stock option compensation expense	3,850
Issuance of notes receivable from former officers	(20,550)
Interest on notes receivable from former officers	--
Collection of notes receivable from former officers	12,929
Impairment of notes receivable from former officers	5,267
Balance at December 31, 1999	300,669
Comprehensive loss	(179,609)
Issuance of common stock	2,320
Purchase of treasury stock	(3,635)
Nontaxable stock exchange--disposition of business	(6,175)
Stock option compensation expense	492
Impairment of notes receivable from former officers	1,663
Balance at December 31, 2000	$ 115,725

See accompanying notes to the consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years ended December 31,		
	2000	1999	1998

Cash flows from operating activities:			
Net income (loss)	$ (179,553)	$ (14,622)	$ 15,581
Adjustments to reconcile net income to net cash provided by (used in) continuing activities, net of acquisitions and dispositions:			
Loss from discontinued operations, net of income taxes	10,193	--	--
Loss on dispositions of discontinued operations, net of income taxes	155,003	--	--
Depreciation expense	6,797	13,460	4,876
Amortization expense	4,573	24,300	--
Impairment of former officers' notes, net	1,663	5,267	--
Stock option non-cash compensation expense	492	3,850	1,094
Provision for bad debts	4,900	14,900	1,777
Deferred income taxes	(7,194)	(10,970)	(107)
Other, net	(399)	404	--
Changes in assets and liabilities:			
Accounts receivable	8,256	(19,543)	(20,917)
Prepaid expenses and other current assets	195	1,478	(3,467)
Accounts payable and accrued liabilities	(2,259)	(2,069)	7,291
Accrued compensation and project costs	(11,737)	10,591	11,029
Income taxes receivable	7,735	(13,023)	(858)
Other current liabilities	(11,022)	3,426	4,907
Net cash provided by (used in) operating activities of:			
Continuing operations	(12,357)	17,449	21,206
Discontinued operations	(23,238)	--	--
Net cash provided by (used in) operating activities	(35,595)	17,449	21,206
Cash flows from investing activities:			
Purchases of property and equipment	(8,693)	(18,641)	(13,340)
Acquisition of businesses, net of cash acquired	--	(42,055)	--
Divestitures of businesses, net of cash	62,287	--	--
Other, net	(772)	(1,582)	(296)
Net cash provided by (used in) investing activities of:			
Continuing operations	52,822	(62,278)	(13,636)
Discontinued operations	493	--	--
Net cash provided by (used in) investing activities	53,315	(62,278)	(13,636)
Cash flows from financing activities:			
Issuance of common stock	2,320	17,387	96,969
Stock repurchases, net of obligations for deferred settlements	(3,635)	(40,011)	(18,922)
Repayment of long-term debt	--	(322)	(319)
Net repayments of short-term debt	(10,000)	(2,584)	(8,242)
Proceeds from short-term debt	--	10,000	--
Issuance of notes receivable from former officers	--	(17,000)	--
Payments of pre-acquisition undistributed income to stockholders	--	--	(6,079)
Other, net	48	--	2,755
Net cash provided by (used in) financing activities of continuing operations	(11,267)	(32,530)	66,162

Net increase (decrease) in cash and cash equivalents	6,453	(77,359)	73,732
Cash and cash equivalents at beginning of the year	42,345	119,704	45,972
Cash and cash equivalents at end of the year	$ 48,798	$ 42,345	$119,704

See accompanying notes to the consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Navigant Consulting, Inc. (the "Company") is a management consulting firm that provides services to government agencies, law firms, financial institutions, and related industries, as well as other Fortune 500 companies. The Company has two business units: Financial & Claims Consulting and Energy & Water Consulting. The Company is headquartered in Chicago, Illinois and has regional offices in various cities within the United States, and several international offices.

During 2000, the Company eliminated three business units: Economic & Policy Consulting, Strategic Consulting and IT Solutions. (See Note 6, "Discontinued Operations.")

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. Actual results could differ from those estimates and may impact future results of operations and cash flows.

Reclassification

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year's presentation. During 2000, the Company discontinued certain business units. The Company has restated the results of operations for these businesses as discontinued operations. Accordingly, the revenues and expenses are included in "Income (loss) from discontinued operations, net of income taxes." (See Note 6, "Discontinued Operations.")

Cash and Cash Equivalents

Cash equivalents are comprised of highly liquid instruments with original maturity dates of 90 days or less.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives, ranging from three to forty years, of the various classes of property and equipment. Amortization of leasehold improvements is computed over the shorter of the remaining lease term or the estimated useful life of the asset.

Intangible Assets

Intangible assets consist of identifiable intangibles and goodwill. Identifiable intangibles include customer lists, workforce in place, knowledge capital, and non-compete agreements. Intangible assets are being amortized on the straight-line method over seven years.

Fair Value of Financial Instruments

The Company considers the recorded value of its 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 December 31, 2000 and 1999.

Revenue Recognition

The Company recognizes revenues as the related services are provided. Certain contracts are accounted for on the percentage of completion method, whereby revenues are recognized based upon costs incurred in relation to total estimated costs at completion. A provision is made for the entire amount of estimated losses, if any, at the time when they are known.

Stock-Based Compensation

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation," which disclosures are presented in Note 9 "Long-Term Incentive Plan And The 2000 Value Sharing Retention Plan." Accordingly, the Company continues to account for stock-based compensation using the intrinsic value-based method as prescribed under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related interpretations.

Income Taxes

Income taxes are accounted for in accordance with the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Prior to August 14, 1998, one of the Company's subsidiaries, Peterson Consulting, L.L.C. d/b/a Peterson Worldwide LLC (Peterson) was a limited liability company which, for income tax purposes, was treated as a partnership. Accordingly, the income of Peterson was reported on the individual income tax returns of its members and federal income taxes, as well as certain state income taxes, were the responsibility of its members. Subsequent to August 14, 1998, and based on events unrelated to its acquisition by the Company, Peterson elected C-corporation status, thereby subjecting its income to federal and certain state income taxes at the corporate level. As a result of its acquisition of Peterson, the Company has applied the provisions of SFAS No. 109, and has converted Peterson from the modified cash basis to the accrual basis for tax purposes. Due to temporary differences in recognition of revenue and expense, income for financial reporting purposes has exceeded income for tax reporting purposes. The conversion to the accrual basis, along with these temporary differences, resulted in the recognition of a one-time, non-cash charge of $7.2 million, which was recorded in 1998, the period in which the merger occurred.

Foreign Currency Translation

The balance sheets of the Company's foreign subsidiaries are translated into U.S. dollars using the period-end exchange rate, and revenue and expenses are translated using the average exchange rate for each period. The resulting translation gains or losses are recorded in a separate component of stockholders' equity as other comprehensive income.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and foreign currency translation adjustments. It is presented in the consolidated statement of stockholders' equity. The Company's comprehensive loss for the year includes foreign currency translation loss in 2000 of $0.3 million and dispositions of accumulated foreign currency adjustments of $0.2 million, which is related to the divestitures of discontinued operations.

Earnings per Share

Basic earnings (loss) per share (EPS) excludes the dilutive effect of common shares that could potentially be issued due to the exercise of stock options, and is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the weighted-average number of shares outstanding, plus all shares that could potentially be issued.

3. STOCKHOLDERS' EQUITY

Secondary Public Offerings

On March 2, 1998, the Company completed a secondary offering of its common stock. The Company issued 1.5 million shares, resulting in net proceeds of approximately $36 million. On November 19, 1998, the Company completed a secondary offering of its common stock in which an additional 1.5 million shares were sold, resulting in net proceeds of approximately $51 million.

Employee Stock Purchase Plan

During 1996, the Company implemented a plan that permits employees to purchase shares of the Company's common stock each quarter at 85% of the market value. The market value of shares purchased for this purpose is determined to be the lower of the closing market price on the first and last day of each calendar quarter. On November 30, 2000, the Employee Stock Purchase Plan was amended to, among other things, increase the total number shares authorized to be issued under the plan from 450,000 shares to 750,000 shares. The amendment also provided for subsequent annual increases of the total authorized shares by the lesser of 500,000 shares or 1.2 percent of the Company's then outstanding shares. The Company has issued 450,000 shares under the Plan through December 31, 2000.

Treasury Stock Transactions

On August 9, 1999, the Board of Directors authorized the repurchase of up to 3.0 million shares of the Company's common stock in open market or in privately negotiated transactions. In August and September of 1999, the Company repurchased a total of 0.5 million shares for $18.9 million in privately negotiated transactions. In November 1999, the Company repurchased 1.0 million shares for $20.8 million in open market transactions. Also in November 1999, the Company accepted 0.6 million shares with a then market value of $12.9 million as payment for the principal amount of certain notes plus accrued interest related to borrowings by Mr. Maher, the Company's Chairman and Chief Executive Officer at the time.

In October 2000, the Board of Directors authorized the repurchase of up to 5.0 million shares of the Company's common stock, approximately 13% of the Company's then outstanding shares. In October 2000, the Company completed a nontaxable exchange of SDG stock for 1.6 million of the Company's shares, valued at approximately $6.2 million, as part of the transaction. In December 2000, the Company repurchased 1.1 million shares for $3.6 million in private transactions. Also in December 2000, the Company obtained 237,500 shares, valued at $0.9 million, for partial repayments of former officers' notes receivable. See also "Former Officers' Notes Receivable."

Former Officers' Notes Receivable

As of December 31, 1999, the Company held notes receivable from three former Company officers with an aggregate principal balance of $7.9 million. (See also Note 16, "Related Party Transactions.") The notes receivable arose from transactions whereby these individuals borrowed money from the Company to purchase a total of 200,000 shares of the Company's common stock from third parties, and 37,500 shares of common stock from the Company. The notes receivables were accompanied by pledge agreements, which pledged the shares as collateral security for repayment of the notes. In March 2000, the borrowers had either challenged the enforceability or declined to confirm their intention to comply with the terms of the notes. The Company accrued a loss contingency at December 31, 1999 in the amount of $5.3 million, representing the difference between the principal amount of the notes receivable and the value of the shares held by the Company as collateral. The $5.3 million was included as a non-operating charge within other expense in the consolidated statement of operations. During the year ended December 31, 2000, the Company recorded an additional $1.7 million to reflect further impairment of the market value of the former officers' notes. In December 2000, the Company obtained the 237,500 shares, valued at $0.9 million, and retired the shares in treasury.

Stockholder Rights Plan

On December 15, 1999, the Company's Board of Directors adopted a Stockholders Rights Plan (the "Rights Plan") and declared a dividend distribution of one Right (a "Right") for each outstanding share of common stock, to stockholders of record at the close of business on December 27, 1999. Each Right will entitle its holder, under certain circumstances described in the Rights Agreement, to purchase from the Company one one-thousandth of a share of its Series A Junior Participating Preferred Stock, $.001 par value, (the "Series A Preferred Stock"), at an exercise price of $75 per Right, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and American Stock Transfer & Trust Company, as Rights Agent.

Until the Distribution Date under the Rights Agreement, the surrender or transfer of any shares of common stock outstanding will also constitute the surrender or transfer of the Rights associated with such shares. The Rights are not exercisable until the Distribution Date and will expire at the close of business on December 15, 2009, unless earlier redeemed or exchanged by the

Company. The Company may redeem the Rights in whole, but not in part, at a price of $.01 per Right (subject to adjustment and payable in cash, common stock or other consideration deemed appropriate by the Company's Board of Directors) at any time until ten days following the Stock Acquisition Date under the Rights Agreement. Immediately upon the action of the Company's Board of Directors authorizing any redemption, the Rights will terminate and the only right of the holders of Rights will be to receive the redemption price. Until a Right is exercised, its holder, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

Other Issuance of Common Stock

All other issuance of common stock during the year 1998 through 2000 were related to business combinations and exercised stock options. See also Notes 5 and 9.

4. BASIC AND DILUTED SHARES

The following table provides a reconciliation of the computations of basic and diluted earnings (loss) per share information for each of the years in the three year period ended December 31, 2000.

	Year ended December 31,		
	2000	1999	1998
	(amounts in thousands)		
Numerator:			
Net income (loss)	$(179,533)	$(14,622)	$15,581
Denominator:			
Weighted average shares outstanding	40,895	41,601	36,476
Effect of dilutive securities:			
Employee stock options	--	--	1,231
Denominator for diluted earnings(loss) per share	40,895	41,601	37,707

For the year ended December 31, 2000 and 1999, the weighted average effect of employee stock options was 0.3 million and 1.7 million shares, respectively. However, the Company incurred a loss in both years and the effect of these options was anti-dilutive, therefore those options were excluded from the calculation of the diluted per share amounts. In January 2001, the Company issued 1.9 million restricted shares, which are currently outstanding and have voting rights but are not vested. These restricted shares are excluded from basic per share calculations until vested. (See Note 9, "Long-Term Incentive Plan and The 2000 Value Sharing Retention Plan.")

5. BUSINESS COMBINATIONS

On August 19, 1998, the Company issued 7.3 million shares of common stock for substantially all the outstanding common stock of LECG, Inc. (LECG). In connection with the acquisition of LECG, the Company acquired assets and assumed liabilities with book values of $49.8 million and $17.4 million, respectively. On August 31, 1998, the Company issued 5.6 million shares of common stock for substantially all of the outstanding common stock of Peterson. In connection with the acquisition of Peterson, the Company acquired assets and assumed liabilities with book values of $34.8 million and $24.7 million, respectively. Additionally, the Company completed the acquisitions of all of the common stock of American Corporate Resources, Inc. (ACR), AUC Management Consultants, Inc. (AUC), and Hydrologic Consultants, Inc. of California (HCI) as of April 3, 1998; The Vision Trust Marketing Group, LLC (VTM) as of June 1, 1998; and Saraswati Systems Corporation (SSC) and Applied Health Outcomes, Inc. (AHO) as of September 1, 1998. In the aggregate for the ACR, AUC, HCI, VTM, SSC and AHO transactions, the Company issued 1.2 million shares of common stock. In connection with the acquisitions of ACR, AUC, HCI, VTM, SSC and AHO, the Company acquired assets and assumed liabilities with book values of $1.9 million and $1.4 million, respectively. All of the 1998 transactions were accounted for as poolings of interests accounting method of business combination. The Company's consolidated financial statements have been restated as if LECG, Peterson, AUC, HCI, SSC and AHO had been combined for all periods presented. Since dates of acquisition, certain companies have been discontinued. The revenues and expenses of LECG and SSC are included in "Income (loss) on discontinued operations, net of income taxes" on the Company's consolidated statements of operations for all years presented. The Company's statement of operations for the year ended December 31, 1998 includes net income totaling $5.5 million, from LECG, Peterson, AUC, HCI, SSC, and AHO, through the dates of acquisition. The stockholders' equity and the operations of ACR and VTM were not significant in relation to those of the Company. As such, the Company recorded the ACR and VTM transactions by restating stockholders' equity as of the dates of the acquisition without restating prior period financial statements.

The Company incurred significant costs and expenses in connection with these acquisitions, including legal, accounting, and other various expenses. These costs and expenses were recorded in the consolidated statements of operations during the third quarter of 1998.

During 1999, the Company completed 11 acquisitions (collectively, the "1999 Acquisitions") in exchange for Company stock and cash having an aggregate value of $235.7 million. On February 7, 1999, the Company issued 2.4 million shares of common stock (valued at the time of closing at approximately $123.7 million) for substantially all of the outstanding common stock of Strategic Decisions Group, Inc. (SDG), and acquired the remaining minority interest in exchange for $13.3 million in cash. On March 31, 1999, the Company completed the acquisitions of all of the outstanding stock of Triad International, Inc., GeoData Solutions, Inc. (GeoData) and Dowling Associates, Inc. (Dowling) in exchange for 1.8 million shares of the Company's common stock (valued at the time of closing at approximately $57.3 million). On September 30, 1999, the Company completed its acquisition of the business operations and certain assets of PENTA Advisory Services LLC (PENTA) and the stock of Scope International, Inc. (Scope) for a total cash purchase price of $15.1 million. The purchase agreement for PENTA also provides for additional earnout payments, payable in cash or Company common stock, over the next four years contingent on future revenue growth and gross margin targets. The additional payments, if any, will be accounted for as additional goodwill. During 2000, additional goodwill of $2.0 million was recorded for the earnout provision of the PENTA purchase agreement. On October 1, 1999, the Company completed the acquisitions of the stock of Brooks International AB, Brooks International SARL and SPRL, and Brooks International Consulting OY for an aggregate cash purchase price of $3.3 million. On November 1, 1999, the Company completed the acquisition of the stock of The Barrington Consulting Group, Inc. (Barrington) in exchange for $14.4 million in cash paid at closing and total deferred cash payments of $7.8 million, payable in two equal annual installments. The remaining liability related to the deferred cash payments is reflected in the consolidated balance sheet as of December 31, 2000 as $3.9 million of other current liabilities. The purchase agreement for Barrington, as amended in October 2000, also provides for additional cash payments of up to $10.5 million in the aggregate. These additional payments are contingent on continued employment by the Company of certain former Barrington shareholders and are payable in cash in two annual installments, the first of which was paid in October 2000. The contingent payments are being charged to expense ratably over the period of employment. On December 1, 1999, the Company completed the acquisition of all of the assets of Glaze Creek Partners, LLC in exchange for $0.8 million in cash. There were no pre-acquisition intercompany transactions between the Company and the 1999 Acquisitions.

The 1999 Acquisitions have been accounted for by the purchase method of accounting and, accordingly, the results of operations have been included in the accompanying consolidated financial statements from the dates of acquisition. Certain assets acquired of $46.2 million and liabilities assumed of $36.9 million have been recorded at their estimated fair values. The excess of cost over the net assets acquired of approximately $226.4 million has been recorded as intangible assets, including goodwill. The allocation of the excess cost over the net assets acquired to identifiable intangible assets and goodwill was based upon independent appraisals, as were the estimated useful lives. The estimated lives range from between one and twenty years, and approximate, on a straight-line basis, an average life of seven years.

As discussed further in Note 6 "Discontinued Operations," the Company disposed of certain businesses that were unprofitable or not complementary to its core operations. The discontinued operations include the following 1999 Acquisitions discussed above: Strategic Decisions Group, Inc., Triad International, Inc., GeoData Solutions, Inc., Dowling Associates, Inc., Brooks International AB, Brooks International SARL and SPRL, Brooks International Consulting OY, and Glaze Creek Partner LLC. The revenues and expenses for the above-mentioned companies have been reclassified to "Income (loss) from discontinued operations, net of income taxes" for all periods presented since dates of acquisition. The operating results of Barrington, PENTA and Scope are included in continuing operations.

The following unaudited pro forma financial information presents the combined results of operations as if the remaining 1999 Acquisitions had occurred as of January 1, 1999, after giving effect to certain adjustments. The adjustments include the amortization of goodwill and other intangibles, compensation expense accrual of contingent payments stipulated in acquisition agreements, a reduction in interest income, and the related income tax effects with respect to said adjustments. The pro forma information is for informational purposes only. The information presented does not necessarily reflect the results of operations that would have occurred had the acquisitions been completed as of January 1, 1999, nor are they indicative of future results.

	1999
Revenues	$240,754
Cost of services	164,093
Gross profit	76,661
General and administrative expenses	61,855

Depreciation expense	9,800
Amortization expense	4,520
Other charges, net	5,304
Non-operating charges	4,173
Loss from continuing operations before income taxes	(8,991)
Income tax benefit	(782)
Net loss from continuing operations	(9,773)
Loss from discontinued operations	(12,465)
Net loss	$(22,238)
Net loss per diluted share	$ (0.53)

6. DISCONTINUED OPERATIONS

In May 2000, the Company developed plans and identified certain operating units and other entities for disposition, and implemented plans to restructure the remaining operating units. The Company has made three large strategic divestitures in 2000: Economics & Policy Consulting, Strategic Consulting and IT Solutions.

Economics & Policy Consulting

The Company completed the sale of LECG to a team of senior LECG professionals in a management buy-out for $45.0 million, principally in cash and notes receivable, on September 29, 2000. The agreement provides for other contingent consideration, including a $5.0 million deferred sale price payment. No value was given to contingent deferred payments when calculating the gain on disposition. This contingent deferred sale price payment is based on certain employees' retention on, or prior to, the first anniversary of the closing date.

Strategic Consulting

In October 2000, the Company completed a nontaxable exchange of SDG stock for the Company's stock with a then current value of approximately $6.2 million. In addition, the Company received $16.0 million in cash related to this transaction. The assets of Glaze Creek were included in this transaction.

The Company has shut down the operations of Triad International through employee terminations and has sold certain Triad International assets to the remaining employees, including client engagements in process. The purchasers also assumed certain liabilities in connection with this disposition, which was completed in June 2000. In consideration for the sale, the Company is entitled to $2.5 million in contingent deferred payments. No value was given to the contingent deferred payments when calculating the loss on disposition.

The Company is attempting to sell to either management or various interested third parties the operations of Brooks International AB, Brooks International SARL and SPRL, and Brooks International Consulting OY and expects this process to be completed during 2001.

IT Solutions

In July 2000, the Company sold GeoData Solutions for $9 million cash, and retained all accounts receivable, which had an estimated realizable value of approximately $4.1 million at July 1, 2000. The Company shut down the operations of SSC and Dowling Associates during the third quarter of 2000.

The Economics & Policy Consulting, Strategic Consulting and IT Solutions operating segments are accounted for as discontinued operations. Summarized results of discontinued businesses are shown separately as discontinued operations in the accompanying consolidated financial statements.

Certain information with respect to discontinued operations is summarized as follows (in thousands):

	2000	1999	1998
Revenues:			
Economics & Policy Consulting	$ 60,029	$ 76,489	$69,221
Strategic Consulting	35,288	65,836	--
IT Solutions	15,557	35,878	15,823
Total revenues	110,874	178,203	85,044
Income (loss) from discontinued operations	(13,794)	(5,172)	13,045
Income tax expense (benefit)	(1,877)	7,293	5,717
Net income (loss)	$(11,917)	$(12,465)	$ 7,328

Results of discontinued operations for the year ended December 31, 2000 only includes amortization of associated intangible assets through the measurement date of April 30, 2000. The above results include $1.7 million of net loss (excludes amortization expenses) for the period May 1, 2000 through disposition dates.

The loss on dispositions for the year ended December 31, 2000 includes the following (in thousands):

Book value of net assets in excess of proceeds, including intangible assets of $162,346	$138,181
Net pre-tax loss on discontinued operations for the period May 1, 2000 through the expected disposition dates	3,597
Expenses associated with asset disposals (including $5,861 in severance-related expenses)	8,407
Pre-tax loss on dispositions	150,185
Income tax provision	4,818
Loss on dispositions	$155,003

7. MERGER-RELATED AND RESTRUCTURING COSTS (CREDITS)

In May 2000, the Company replaced its Chief Executive Officers and subsequently implemented a strategic review and restructuring that included discontinuance and dispositions of several operating units, restructuring of its remaining core operations and streamlining of its administrative support staff. Accordingly, the Company recorded restructuring costs of $10.2 million for the year ended December 31, 2000. The Company offered involuntary severance packages to approximately 140 consulting, executive and administrative employees in its continuing operations. The Company recorded $6.0 million in severance-related costs associated with these reductions in force. The Company also recorded $4.2 million of expense associated with facility closings, space reduction and office consolidation.

In 1999, the Company recorded $0.2 million of expense in 1999 for employee separations associated with consolidation of certain accounting and human resources functions. At December 31, 1999, the Company reviewed the merger-related accruals and determined that certain amounts previously accrued were no longer necessary given subsequent acquisition activity and changes in the Company's organizational structure. The results of operations for 1999 reflect a benefit of $1.1 million for the reversal of the previously accrued amounts. During 1999, the Company increased the accrual for restructuring charges and merger-related costs by $3.0 million related to the 1999 Acquisitions, which were accounted for under the purchase method of accounting for business combinations. These costs were reflected as purchase price adjustments and, as such, increased the amount of goodwill. In 1998, the Company incurred restructuring charges and merger-related costs of $7.4 million related to the acquisition of Peterson, which was accounted for as a pooling of interest transaction. These costs included legal, accounting and other acquisition-related fees and expenses, as well as accruals to consolidate certain facilities.

The restructuring charges and merger-related costs were determined based on formal plans approved by the Company's management using the best information available at the time. The amounts the Company may ultimately incur may change as the balance of the Company's restructuring plan is executed. The activity affecting the accrual for restructuring charges and merger-related costs during 2000, 1999 and 1998 is as follows (shown in thousands):

	Direct transaction costs	Facilities closings	Workforce reductions	Other costs	Total
Year ended December 31, 1998:					
Charges to operations.	$ 4,915	$ 1,281	$ --	$ 1,174	$ 7,370
Reclassified to discontinued operations...........	2,723	2,319	--	366	5,408
Utilized.............	(4,434)	(239)	--	(1,655)	(6,328)
Balance at December 31, 1998...................	3,204	3,361	--	(115)	6,450
Year ended December 31, 1999:					
Charges to operations.	--	--	245	--	245
Changes in estimates..	(680)	(540)	--	94	(1,126)
Purchase price adjustments..........	2,425	350	255	--	3,030
Utilized.............	(4,803)	(232)	(879)	--	(5,914)
Reclassified to discontinued operations...........	(146)	(115)	915	21	675
Balance at December 31, 1999...................	--	2,824	536	--	3,360
Year ended December 31,					

2000:					
Charges to operations.	--	4,259	5,970	--	10,229
Utilized.............		(2,275)	(5,461)	--	(7,736)
Reclassified to discontinued operations...........		(1,312)	--	--	(1,312)
Balance at December 31, 2000..................	$ --	$ 3,496	$ 1,045	$ --	$ 4,541

8. SEGMENT INFORMATION

Beginning January 1, 2000, the Company adopted a managerial reporting structure with five operating divisions which represent five reportable segments: Energy & Water Consulting, Financial & Claims Consulting, Economic & Policy Consulting, Strategic Consulting and IT Solutions. The latter three operating segments have been discontinued and disposed of as of December 31, 2000. (See Note 6, "Discontinued Operations.") Accordingly, operating results from continuing operations for the years presented have been restated to reflect the Financial & Claims Consulting and Energy & Water Consulting reportable segments.

Financial & Claims Consulting provides information management, technology services, damages analysis, business and property valuation, regulatory compliance, outsourcing, claims management, and litigation and bankruptcy support services to a variety of financial and insurance institutions, law firms and governmental agencies. Energy & Water Consulting provides management consulting, merger and acquisition consulting, regulatory compliance, and generation asset divestiture, energy market assessment, strategic resource allocation, and distribution management services to electric and gas utility companies.

The Company currently evaluates segment performance and allocates resources based upon revenues and operating results. The basis of measurement of segment operating results is consistent between the periods. All intercompany transactions between segments have been eliminated. Information on the Company's continuing operations for the years ended December 31, 2000, 1999 and 1998 have been summarized as follows (in thousands):

	2000	1999	1998
Revenues:			
Financial & Claims Consulting............	$151,282	$124,785	$112,058
Energy & Water Consulting................	93,347	94,706	90,524
Combined segment revenues.............	$244,629	$219,491	$202,582
Operating profit:			
Financial & Claims Consulting............	$ 19,524	$ 10,658	$ 12,774
Energy & Water Consulting................	11,457	10,600	20,716
Combined segment operating profit......	$ 30,981	$ 21,258	$ 33,490

Operating Profit and Statement of Operations reconciliation:			
Unallocated:			
Corporate general and administrative expenses previously allocable to discontinued operations	$ 2,537	$ 5,243	$ --
Other non recurring general and administrative expenses	3,289	6,739	--
Acquisition related compensation expense.	5,889	1,042	--
Value sharing retention program cash compensation expense	6,357	--	--
Amortization expense	4,573	900	--
Merger-related and restructuring costs (credits)	10,229	(881)	7,370
Litigation and settlement provisions	16,500	2,335	--
Stock option compensation expense	492	3,850	--
Other expense (income)	1,666	2,653	(2,053)
Sub-total	51,532	21,881	5,317
Income (loss) from continuing operations before income tax expense	$(20,551)	$ (623)	$ 28,173

Certain general and administrative expenses, which relate to general corporate costs, were allocated to operating divisions generally on the basis of consulting fee revenue. The Company incurred $3.3 million of non-recurring legal and infrastructure-related computer costs and personnel related costs in the year ended December 31, 2000, which were not allocated to any operating divisions.

For the year ended December 31, 1999, the Company incurred $6.7 millin of non-recurring legal, accounting and depreciation costs. The depreciation charge was to the write-down of the recorded asset values of certain computer equipment, software and the Company's corporate headquarters. (See Note 14, "Property and Equipment.")

The following unaudited pro forma 1999 financial information presents the combined 1999 revenues and operating profits for each segment as if the 1999 Acquisitions included in continuing operations had occurred as of January 1, 1999. Accordingly, the Financial & Claims Consulting segment includes Barrington and PENTA. The pro forma 1999 financial information includes adjustments for the amortization of goodwill and other intangibles, compensation expense accruals of contingent payments related to acquisition agreements, a reduction in interest income, and the related income tax effects.

Revenues:	
Financial & Claims Consulting	$146,048
Energy & Water Consulting	94,706
Combined pro forma revenues	$240,754
Operating Profit:	
Financial & Claims Consulting	$ 11,888
Energy & Water Consulting	10,600

Combined pro forma segment operating profit	$ 22,488

Pro forma 1999 Operating Profit and Statement of Operations reconciliation:

Unallocated:	
Corporate general and administrative expenses previously allocable to discontinued operations	$ 5,243
Other non recurring general and administrative expenses	6,739
Acquisition related compensation expense	5,500
Amortization expense	4,520
Restructuring credit	(881)
Litigation and settlement provisions	2,335
Stock option compensation expense	3,850
Other expense	4,173
Sub-total	31,479
Pro forma loss from continuing operations before income tax expense	$(8,991)

9. LONG-TERM INCENTIVE PLAN AND THE 2000 VALUE SHARING RETENTION PLAN

On June 30, 1996, the Company adopted a Long-Term Incentive Plan that provides for common stock, common stock-based, and other performance incentives to employees, consultants, directors, advisors, and independent contractors of the Company. The Long-Term Incentive Plan was approved by a vote of the Company's stockholders in July 1999.

In general, options issued under the Long Term Incentive Plan were issued at the fair market value at the dates of grant, have a ten-year term and become vested and thus exercisable in annual installments over a four year period following the date of grant. However, the plan permits the Compensation Committee, or the chief executive officer as its delegate, to vary such terms and conditions, including granting nonqualified options at

prices below fair market value at the date of grant. The Company has determined, based in part on the absence of contemporaneous documentation, that 0.3 million nonqualified options issued to a total of sixteen individuals were issued at prices below fair market value. Accordingly, the Company has recorded an expense of $3.5 million and $0.5 million in 1999 and 2000, respectively, for stock option compensation expense attributable to such options. The amount charged to expense represents the aggregate dollar amount by which the grant prices of the options differ from the market prices as of the dates for which the Company has independent evidence to support the issuance of the options. The amount charged to expense has been amortized over the relevant vesting periods.

In July 2000, the Company completed an employee stock option exchange that was been offered to all current employees, other than executive management, for employee retention purposes. Employees tendered 6.4 million options, with an average exercise price of approximately $28 per share. These employees were granted 2.7 million options in exchange for the tendered options. The number of exchanged options granted each employee was based on, among other factors, a formula that considered the exercise prices of the tendered options. The new options have an exercise price of $5.9375, which was $1.00 above the market price as of the tender date. The new options will vest 10% each quarter, beginning March 01, 2001.

In August 2000, the Company adopted a comprehensive monetary and equity incentive program (the Value Sharing Retention Program -- "Retention Program") to retain certain senior level employees. This feature covers approximately 30% of the employee population. The Company obtained new non-compete covenants and extensions of current non-compete covenants for the majority of the participants under this incentive value sharing retention program. The program includes approximately $20.0 million in cash, 1.9 million restricted shares, and 4.8 million options at an exercise price of $3.9375, which was equal to the market price as of September 1, 2000. The cash and equity incentives are designed to vest in stages over a 4 year period. The cash incentives vest over a 12-month period commencing on September 1, 2000. The retention program has scheduled cash payments of four equal installments beginning December 1, 2000 and, continuing every three months to September 1, 2001. The Company paid the first installment totaling $4.8 million on December 1, 2000. The restricted shares vest 33% per year beginning September 2001, and the option grants vest 10% on the date of grant and 5% per quarter thereafter through March 2004. The Company issued 1.9 million restricted shares to retention program participants during the first quarter 2001.

As of December 31, 2000, the Company had 7.7 million options outstanding at a weighted average exercise price of $6.39 per share. As of December 31, 2000, 1.7 million options were exercisable at a weighted average exercise price of $8.63 per share. As of December 31, 2000, 2.1 million options are subject to variable accounting.

The following table summarizes stock option activity for the years ended December 31, 2000, 1999 and 1998:

	2000		1999		1998	
	Number of shares (000's)	Weighted average exercise price	Number of shares (000's)	Weighted average exercise price	Number of shares (000's)	Weighted average exercise price
Options outstanding at beginning of year......	8,213	$29.15	5,510	$24.19	2,623	$16.53
Granted.................	10,141	6.59	4,481	32.68	3,849	28.47
Exercised...............	(18)	3.01	(696)	17.98	(361)	13.07
Forfeited...............	(10,674)	23.92	(1,082)	25.24	(601)	24.90
Options outstanding at end of year............	7,662	$ 6.39	8,213	$29.15	5,510	$24.19
Options exercisable at year end...............	1,702	$ 8.63	676	$19.31	138	$14.41

The following table summarizes information regarding stock options outstanding at December 31, 2000 and 1999:

Range of exercise price	2000 Number of shares (000's)	2000 Weighted average exercise price	2000 Remaining exercise period (years)	1999 Number of shares (000's)	1999 Weighted average exercise price	1999 Remaining exercise period (years)
$ 0.00 to $ 4.99........	4,966	$ 3.92	9.6			
$ 5.00 to $ 9.99........	1,816	6.06	8.2			
$10.00 to $15.99........	340	12.36	2.1			
$ 0.00 to $15.99 subtotal...............	7,122	$ 4.87	8.9	790	$12.17	4.6
$16.00 to $25.99........	176	21.77	2.7	737	21.23	6.0
$26.00 to $35.99........	354	28.49	6.6	5,656	29.03	8.8
$36.00 to $45.99........	9	42.96	8.4	307	43.71	9.5
$46.00 to $55.99........	1	46.38	8.7	723	50.53	9.1
$0.00 to $55.99 Total...	7,662	$ 6.39	8.7	8,213	$29.15	8.2

The following table summarizes information regarding stock options exercisable at December 31, 2000:

Range of exercise price	Number of shares (000's)	Weighted average exercise price
$ 0.00 to $ 4.99.....................................	732	$ 3.92
$ 5.00 to $ 9.99.....................................	438	5.72
$10.00 to $15.99.....................................	318	12.43
$16.00 to $25.99.....................................	98	20.09
$26.00 to $35.99.....................................	116	29.35
$0.00 to $35.99 Total................................	1,702	$ 8.63

The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related to interpretations in accounting for its plan. Accordingly, no compensation cost has been recognized for those option grants where the exercise price is equal to the fair market value at the date of grant. The Company would have incurred compensation expense had compensation cost for the plan been determined based on the fair value at the grant dates for awards under the plan consistent with the method of SFAS No. 123, "Accounting for Stock-Based Compensation." Under this methodology, the Company's compensation expense would have been increased by $12.1 million, $18.3 million and $4.6 million, net of related income taxes, for the years ended December 31, 2000, 1999 and 1998, respectively. As a result, the Company's pro forma net income (loss) available to common stockholders and net income (loss) per basic and diluted shares would have been reduced to the pro forma amounts indicated below (shown in thousands, except per share amounts):

	2000	1999	1998
Earnings, as reported:			
Net income (loss)	$(179,553)	$(14,622)	$15,581
Net income (loss) per basic share	$ (4.39)	$ (0.35)	$ 0.43
Net income (loss) per diluted share	$ (4.39)	$ (0.35)	$ 0.41
Earnings, fair value method:			
Net income (loss), with compensation expense from fair value options	$(191,642)	$(32,941)	$10,990
Fair value method net income (loss) per basic share	$ (4.69)	$ (0.79)	$ 0.30
Fair value method net income (loss) per diluted share	$ (4.69)	$ (0.79)	$ 0.29

The weighted average fair value of options granted in 2000, 1999 and 1998 was $2.77, $12.04, and $5.68, respectively. For purposes of calculating compensation cost under SFAS No. 123, the fair value of each option grant is estimated as of the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used in the model for grants made in 2000, 1999 and 1998:

	2000	1999	1998
Expected volatility	92%	75%	45%
Risk free interest rate	5.2%	5.5%	5.0%
Dividend yield	0%	0%	0%
Contractual or expected lives (years)	6.8	8.5	2.8

10. EMPLOYEE BENEFIT PLANS

The Company maintained profit sharing and savings plans for several operating subsidiaries through December 31, 2000. Eligible employees may contribute a portion of their compensation to their respective operating subsidiary's plan. Effective February 2000, the Company amended the profit sharing and savings plans of all operating subsidiaries to provide employer matching contributions for all participants. The Company matches in an amount equal to 100% of the employees' current contributions, up to a maximum of 3% of the employees' total eligible compensation and limited to $5,100 per participant. The Company, as sponsor of the plans, uses independent third parties to provide administrative services to the plans. The Company has the right to terminate the plans at any time. The Company contributions to the various plans were $2.3 million, $1.9 million and $1.0 million in the years ended December 31, 2000, 1999 and 1998, respectively.

11. SHORT-TERM AND LONG-TERM DEBT

The Company maintains a line of credit agreement, unsecured, in the amount of $35.0 million. Under the agreement, the Company may borrow a maximum amount of up to 80% of eligible accounts receivable. The agreement contains certain covenants, the most restrictive of which require the Company to maintain a minimum level of earnings before interest, taxes, depreciation and amortization. The Company did not have a balance outstanding under the agreement at December 31, 2000. At December 31, 1999, the Company had $10.0 million outstanding thereunder. The Company had no long-term debt outstanding as of December 31, 2000. In February 2001, the Company amended the line of credit agreement with no substantive changes in the terms and conditions, except that the amended agreement expires on May 31, 2003.

At December 31, 2000, the Company had letters of credit of $2.0 million outstanding. The letters of credit expire at various dates through July 2010.

12. LEASE COMMITMENTS

The Company leases its office facilities and certain equipment under operating lease arrangements that expire at various dates through 2012. The Company leases office facilities under noncancelable operating leases that include fixed or minimum payments plus, in some cases, scheduled base rent increases over the term of the lease and additional rents based on the Consumer Price Index. Certain leases provide for monthly payments of real estate taxes, insurance and other operating expenses applicable to the property. In addition, the Company leases equipment under noncancelable operating leases.

Future minimum annual lease payments of continuing operations, for the years subsequent to 2000 and in the aggregate are as follows (shown in thousands):

Year ending December 31,	Amount
2001	$ 8,932
2002	8,452
2003	6,316
2004	5,194
2005	5,173
Thereafter	22,840
	$56,907

In addition, the Company has other lease commitments for the years subsequent to 2000 and in the aggregate totaling $15.3 million. As part of the restructuring plan, the Company decided to terminate such leases and has reserved for the associated costs within the facilities closings reserve. (See Note 7, "Merger-related and Restructuring Costs (Credits).")

Rent expense for operating leases entered into by the Company and charged to continuing operations amounted to $11.3 million for 2000, $8.5 million for 1999 and $8.3 million for 1998.

13. INCOME TAX EXPENSE (BENEFIT)

Income tax expense (benefit) consists of the following (shown in thousands):

	For the year ended December 31,		
	2000	1999	1998
Federal:			
Current	$(1,901)	$ 5,373	$13,556
Deferred	(4,075)	(5,681)	2,546
Total	(5,976)	(308)	16,102
State:			
Current	82	2,872	3,228
Deferred	(944)	(1,316)	590
Total	(862)	1,556	3,818
Foreign	644	286	--
Total federal, state and foreign income tax expense (benefit)	$(6,194)	$ 1,534	$19,920

Income tax expense (benefit) differs from the amounts estimated by applying the statutory income tax rates to income (loss) from continuing operations before income taxes as follows:

	For the year ended December 31,		
	2000	1999	1998
Federal income tax expense at statutory rate	35.0%	35.0%	35.0%
State income tax at statutory rate, net of federal tax benefits	4.2	(17.9)	8.0
Foreign income taxes	0.2	0.2	--
Effect of nontaxable interest income and dividends	0.4	90.1	(1.7)
Effect of non-deductible merger-related costs	--	(34.7)	4.2
Effect of non-deductible amortization expense	(4.7)	(29.8)	--
Effect of non-deductible stock compensation expense	(0.8)	(216.5)	--
Effect of conversion from cash to accrual method of accounting for acquired company	--	--	22.4
Effect of non-deductible meals and entertainment expenses	(2.1)	(72.0)	0.1
Effect of other non-deductible expenses	(2.1)	(0.9)	2.7
	30.1%	(246.5)%	70.7%

The tax benefits associated with nonqualified stock options and disqualifying dispositions of incentive stock options reduced taxes payable by $0.02 million, $4.9 million and $3.3 million in 2000, 1999, and 1998, respectively. Such benefits were recorded as an increase to additional paid-in capital in each year.

Deferred income taxes result from temporary differences between years in the recognition of certain expense items for income tax and financial reporting purposes. The source and income tax effect of these differences are as follows (shown in thousands):

	December 31, 2000	December 31, 1999
Deferred tax assets attributable to:		
State income taxes	$ (480)	$ (121)
Allowance for uncollectible accounts receivables	2,022	4,379
Restructuring costs	1,707	--
Former officers' notes	1,393	2,239
Insurance related costs	440	865
Depreciation expense	3,718	248
Compensation expense	691	443
Other	42	(489)
Total deferred tax assets	9,533	7,564
Deferred tax liabilities attributable to:		
Adjustment resulting from changes in the method of accounting used for tax purposes	2,176	6,435
Other	298	(531)
Deferred tax liabilities	2,474	5,904
Net deferred tax assets	$7,059	$1,660

The Company has not recorded a valuation allowance as it believes it is more likely than not that the net deferred tax asset is recoverable.

14. SUPPLEMENTAL CONSOLIDATED BALANCE SHEET INFORMATION

Accounts Receivable

The components of accounts receivable as of December 31 were as follows (shown in thousands):

	2000	1999
Billed amounts	$ 44,037	$ 86,849
Engagements in process	20,496	45,581
Allowance for uncollectible accounts	(9,521)	(16,330)
	$ 55,012	$116,100

As of December 31, 1999, net accounts receivable for continuing operations was $68.3 million.

Engagements in process represent balances accrued by the Company for services that have been performed and earned but have not been billed to the customer. Billings are generally done on a monthly basis for the prior month's services.

Property and Equipment

Property and equipment as of December 31 consisted of (shown in thousands):

	2000	1999
Land and buildings	$ 3,421	$ 3,421
Furniture, fixtures and equipment	28,321	40,444
Software	4,361	10,241
Leasehold improvements	7,575	5,714
Property and equipment, at cost	43,678	59,820
Less: accumulated depreciation and amortization	(24,350)	(26,057)
Property and equipment, net	$ 19,328	$ 33,763

In December 1999, the Company made a decision to dispose of its corporate headquarters land and building. At such time, the Company re-evaluated the carrying amount of the asset and estimated the net realizable value through an independent appraisal. The Company has recorded additional depreciation expense of $1.1 million to reflect the impairment in value.

Based upon a comprehensive review of the Company's long-lived assets, the Company recorded a non-cash charge to depreciation expense of $3.0 million in 1999. This charge reflects the write-down of a portion of the recorded asset values of certain computer equipment and software. No additional assets were deemed to be impaired.

Goodwill and Intangible Assets

The excess of the cost of the 1999 Acquisitions over the net assets acquired, including goodwill of approximately $226.4 million, was recorded as intangible assets in 1999. The allocation of the excess of the cost over the net assets acquired to identifiable intangible assets and goodwill was based upon independent appraisals, as were the related estimated useful lives. Related to the disposition of certain business units, see Note 6 "Discontinued Operations," the Company charged $162.3 million to discontinued operations in the second quarter ended June 30, 2000. As of December 31, 2000, the Company recorded goodwill and contingent earnout liabilities of $2.0 million under the provisions of the PENTA purchase agreement. As of December 31, goodwill and other intangible assets (shown in thousands) consisted of :

	2000	1999
Goodwill	$22,831	$ 96,906
Less--accumulated amortization	(4,767)	(10,401)
Goodwill, net	18,064	86,505

Intangible assets:		
Customer lists	4,470	49,565
Employee workforce	2,355	33,455
Non-compete agreements	4,575	25,570
Other	--	20,900
Total intangible assets	11,400	129,490
Less: accumulated amortization	(1,941)	(13,899)
Intangible assets, net	9,459	115,591
Goodwill and intangible assets, net	$27,523	$202,096

The Company periodically examines the carrying value of its goodwill and other intangible assets to determine whether there is any impairment. If indicators of impairment were present, and future cash flows were

not expected to be sufficient to recover the assets' carrying amounts, an impairment loss would be charged to expense in the period identified. As of December 31, 2000, no event has been identified that would indicate an impairment in the carrying value of the goodwill and other intangible assets.

Accounts Payable and Accrued Liabilities

The components of accounts payable and accrued liabilities (shown in thousands) as of December 31 were as follows:

	2000	1999
Accounts payable	$ 6,223	$ 7,052
Accrued liabilities	3,831	10,297
Accrued restructuring costs	4,541	3,360
Accrued disposition costs	2,873	--
	$17,468	$20,709

Accrued Compensation and Project Costs

The components of accrued compensation and project costs (shown in thousands) as of December 31 were as follows:

	2000	1999
Accrued payroll-related costs	$ 5,645	$ 7,966
Accrued benefit-related costs	1,368	2,585
Accrued incentive-related costs	10,293	32,201
Deferred acquisition compensation	1,627	705
Accrued contractor fees and related costs	--	14,968
	$18,933	$58,425

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Other Current Liabilities

The components of other current liabilities (shown in thousands) as of December 31 were as follows:

	2000	1999
Non-contingent acquisition liabilities..................	$ 3,875	$ 3,875
Contingent earnout liabilities..........................	1,980	--
Deferred rent...	1,064	591
Capital lease obligations...............................	633	1,052
Deferred revenue..	859	11,611
Other liabilities.......................................	2,945	2,544
	$11,356	$19,673

15. SUPPLEMENTAL CASH FLOW INFORMATION

Total interest paid during the years ended December 31, 2000, 1999 and 1998 was $0.7 million, $0.4 million and $0.7 million, respectively. Total income taxes paid during the years ended December 31, 2000, 1999 and 1998 were $6.2 million, $27.6 million and $17.7 million, respectively.

In October 2000, the Company exchanged SDG stock for 1.6 million shares of the Company's stock, valued at $6.2 million, in conjunction with the sale of SDG. (See Note 6, "Discontinued Operations.")

As of December 31, 2000, the Company recorded goodwill and contingent earnout liabilities of $2.0 million for certain revenue and gross margin targets met under the provisions of the PENTA purchase agreement.

During the first quarter of 1999, the Company issued 4.2 million shares of common stock (valued at the time at approximately $181.0 million) for substantially all of the outstanding common stock of four companies acquired in transactions accounted for by the purchase method of accounting for business combinations. In addition to the $42.1 million of cash used to acquire certain businesses during 1999, the Company entered into commitments for deferred cash payments of $7.8 million, payable in two equal annual installments. (See also Note 5, "Business Combinations.")

In April 1999, certain of the Company's then officers borrowed $3.5 million from the Company to exercise certain then vested options. In November 1999, the Company received 605,684 shares of the Company's common stock, with a then market value of $12.9 million, in lieu of cash as payment for the principal amount of certain loans, plus accrued interest. (See also Note 16, "Related Party Transactions.")

16. RELATED PARTY TRANSACTIONS

In 1999 five non-employees related by blood or marriage to Mr. Maher received stock option grants from Mr. Maher. Mr. Maher informed the Company that each of these persons provided services to the Company from time to time and received no other compensation for those services. In addition, one other individual not employed by the Company, but who was an employee of an unrelated company owned or controlled by Mr. Maher, received stock option grants. Mr. Maher has informed the Company that this individual provided certain services to the Company from time to time. These persons are among sixteen as to whom the Company has determined that their options were issued at prices below fair market value. (See also Note 9.)

In April 1999, Mr. Maher, the Company's then Chairman and Chief Executive Officer, borrowed $2.7 million from the Company so that he could exercise his then vested options. Mr. Maher exercised all 112,500 of his then vested options at an exercise price of $24.00 per share. In August 1999, Mr. Maher borrowed an additional $10 million from the Company. The applicable interest rate for this loan was 5.75%, payable annually. In November 1999, the Company received from Mr. Maher 605,684 shares of the Company's common stock, with a then market value of $12.9 million, as payment for the principal amount of the loans plus accrued interest.

In November 1999, the Company entered into an agreement with Mr. Maher, pursuant to which, among other things, Mr Maher agreed to provide certain consulting services to the Company over a two year period, including providing information about past transactions or other matters as to which he may be familiar, and the Company agreed to pay Mr. Maher twenty-four monthly payments of $25,000. The Company ceased making said payments after paying one installment in December 1999.

As previously disclosed, in April 1999 Mr. Cain and Mr. Demirjian, respectively the Company's Chief Administrative Officer and the Company's General Counsel at that time, each borrowed $425,063 from the Company to exercise 18,750 options at an exercise price of $22.67 per share. The notes which evidence these borrowings were full recourse, were due on or before the third anniversary date and bore interest at a rate equal to 5.75%, payable annually. The notes were accompanied by pledge agreements which pledged the exercised option shares as collateral security for repayment of the notes. In late August 1999, Mr. Cain, Mr. Demirjian, and Mr. Kingsbury, the Company's Chief Financial Officer at that time, borrowed $2.625 million, $2.625 million and $1.75 million, respectively, from the Company, related to their purchases of 75,000, 75,000 and 50,000 shares, respectively, of the Company's common stock from third parties at $35 per share. The notes which evidenced these borrowings were full recourse, were due on or before the third anniversary date, and bore interest at a rate of 5.75%, payable annually. These notes were accompanied by pledge agreements which pledged the

shares as collateral security for repayment of the notes. In early 2000, Messrs. Cain, Demirjian and Kingsbury each challenged the enforceability or declined to confirm their intention to comply with the terms of the notes, and subsequently each defaulted on interest payments when due. In December 2000 the Company declared Messrs. Cain, Demirjian and Kingsbury to be in default with respect to each of their notes and subsequently pursuant to the pledge agreements the Company took back into treasury the total 237,500 shares pledged as collateral at the then-current market value. The Company has cancelled all of Mr. Kingsbury's remaining indebtedness, pursuant to a settlement agreement. The Company has also cancelled $2.0 million of Mr. Cain's indebtedness.

Gov. Thompson, one of the Company's directors, is Chairman of the law firm of Winston & Strawn. Winston & Strawn has provided in the past and may provide us in the future with legal representation. Total payments related to services rendered were $1.1 million and $0.6 million in 2000 and 1999, respectively.

17. LITIGATION

As previously disclosed, in August 2000 the Company agreed with the appointed lead plaintiff, the Policemen and Firemen Retirement System of the City of Detroit, to settle for $23.0 million the consolidated securities law class actions then pending in the Northern District of Illinois (the "Consolidated Class Actions"), subject to court approval and certain other conditions. The settlement calls for the dismissal, with prejudice, of the Consolidated Class Actions and a release of the Company and the Company's former and current officers and directors, among others. Under the final settlement agreement, the Company has contributed $16.5 million into escrow, pending such approval, and one of its insurers has contributed $6.5 million under an agreement reached with the Company which is also subject to certain conditions. The Company is seeking to recover from said insurer an additional $0.5 million as reimbursement for certain attorneys' fees.

In November 2000, the Court granted its preliminary approval for the proposed settlement. Pursuant to this order, notice was provided to the Class and the court established certain deadlines in February 2001 for Class members to opt-out of or to object to the proposed settlement. These deadlines have now passed. Nine persons have timely opted out of the proposed settlement. Four objections have been filed. The Court has scheduled a hearing on March 22, 2001 with respect to the fairness and final approval of the proposed settlement. The Company will vigorously support the terms of the proposed settlement of the Consolidated Class Actions and will vigorously oppose the objections.

In addition, from time to time, the Company is party to various other lawsuits and claims in the ordinary course of business. While the outcome of these lawsuits or claims cannot be predicted with certainty, management does not believe that any of those lawsuits or claims will have a material adverse affect on the Company.

REPORT OF INDEPENDENT AUDITORS'

The Board of Directors and Stockholders
Navigant Consulting, Inc.:

Under date of February 19, 2001, we reported on the consolidated balance sheets of Navigant Consulting, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2000 as contained in the annual report on Form 10-K for the year 2000. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of valuation and qualifying accounts. The consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statement schedule based on our audits.

In our opinion, the consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Chicago, Illinois
February 19, 2001

SCHEDULE II

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2000, 1999 and 1998
(amounts in thousands)

Description	Balance at beginning of year	Charged to expenses	Deductions(1)	Balance at end of year
Year ended December 31, 2000				
Allowance for doubtful accounts.....	$16,330	$ 4,900	$(11,709)	$ 9,521
Year ended December 31, 1999				
Allowance for doubtful accounts.....	$ 8,126	$14,900	$ (6,696)	$16,330
Year ended December 31, 1998				
Allowance for doubtful accounts.....	$ 7,592	$ 2,058	$ (1,524)	$ 8,126

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(1) Represent write-offs of bad debts and disposal of allowance related to divestitures. In 2000, $5.1 million relates to divestitures.

Appendix B

[NAVIGANT CONSULTING], INC.

LONG-TERM INCENTIVE PLAN

As Amended Through November 30, 2000

I. Purpose

The [Navigant Consulting, Inc. Long-Term Incentive Plan (formerly The] Metzler Group, Inc. Long-Term Incentive Plan[) originally was] adopted June 30, 1996. The Plan is designed to attract and retain selected Key Employees and Key Non-Employees of the Company and its Affiliates, and reward them for making major contributions to the success of the Company and its Affiliates. These objectives are accomplished by making long-term incentive awards under the Plan that will offer Participants an opportunity to have a greater proprietary interest in, and closer identity with, the Company and its Affiliates and their financial success.

The Awards may consist of:

(i) Incentive Options;

(ii) Nonstatutory Options;

(iii) Formula Options;

(iv) Restricted Stock;

(v) Rights;

(vi) Performance Awards; or

(vii) Cash Awards

or any combination of the foregoing, as the Committee may determine.

The Plan is intended to qualify certain compensation awarded under the Plan for tax deductibility under Section 162(m) of the Code to the extent deemed appropriate by the Committee. The Plan and the grant of Awards hereunder are expressly conditioned upon the Plan's approval by the stockholders of the Company. If such approval is not obtained, then this Plan and all Awards hereunder shall be null and void ab initio.

II. Definitions

A. Affiliate means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that, for purposes of Section 422 of the Code, is a parent or subsidiary of the Company, direct or indirect.

B. Award means the grant to any Key Employee or Key Non-Employee of any form of Option, Restricted Stock, Right, Performance Award, or Cash Award, whether granted singly, in combination, or in tandem, and pursuant to such terms, conditions, and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

C. Award Agreement means an agreement entered into between the Company and a Participant under which an Award is granted and which sets forth the terms, conditions, and limitations applicable to the Award.

D. Board means the Board of Directors of the Company.

E. Cash Award means an Award of cash, subject to the requirements of

Article XII and such other restrictions as the Committee deems appropriate or desirable.

F. Code means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto.

G. Committee means the committee to which the Board delegates the power to act under or pursuant to the provisions of the Plan, or the Board if no committee is selected. If the Board delegates powers to a committee, and if the Company is or becomes subject to Section 16 of the Exchange Act, then, if necessary for compliance therewith, such committee shall consist initially of not less than two (2) members of the Board, each member of which must be a "non-employee director," within the meaning of the applicable rules promulgated pursuant to the Exchange Act. If the Company is or becomes subject to Section 16 of the Exchange Act, no member of the Committee shall receive any Award pursuant to the Plan or any similar plan of the Company or any Affiliate while serving on the Committee, unless the Board determines that the grant of such an Award satisfies the then current Rule 16b-3 requirements under the Exchange Act. Notwithstanding anything herein to the contrary, and insofar as it is necessary in order for compensation recognized by Participants pursuant to the Plan to be fully deductible to the Company for federal income tax purposes, each member of the Committee also shall be an "outside director" (as defined in regulations or other guidance issued by the Internal Revenue Service under Code Section 162(m)).

H. Common Stock means the common stock of the Company.

I. Company means [Navigant Consulting, Inc. (formerly The Metzler Group, Inc.).] For all purposes hereunder, Company includes any successor or assignee corporation or corporations into which the Company may be merged, changed, or consolidated; any corporation for whose securities the securities of the Company shall be exchanged; and any assignee of or successor to substantially all of the assets of the Company.

J. Disability or Disabled means a permanent and total disability as defined in Section 22(e)(3) of the Code.

K. Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto.

L. Fair Market Value means, if the Shares are listed on any national securities exchange, the closing sales price, if any, on the largest such exchange on the valuation date, or, if none, on the most recent trade date immediately prior to the valuation date provided such trade date is no more than thirty (30) days prior to the valuation date. If the Shares are not then listed on any such exchange, the fair market value of such Shares shall be the closing sales price if such is reported, or otherwise the mean between the closing "Bid" and the closing "Ask" prices, if any, as reported in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") for the valuation date, or if none, on the most recent trade date immediately prior to the valuation date provided such trade date is no more than thirty (30) days prior to the valuation date. If the Shares are not then either listed on any such exchange or quoted in NASDAQ, or there has been no trade date within such thirty (30) day period, the fair market value shall be the mean between the average of the "Bid" and the average of the "Ask" prices, if any, as reported in the National Daily Quotation System for the valuation date, or, if none, for the most recent trade immediately prior to the valuation date provided such trade date is no more than thirty (30) days prior to the valuation date. If the fair market value cannot be determined under the preceding three sentences, it shall be determined in good faith by the Committee.

M. Formula Option means a Nonstatutory Option granted automatically to a Non-Employee Board Member [in accordance with Article VIII of the Plan.]

N. Incentive Option means an Option that, when granted, is intended to be an "incentive stock option," as defined in Section 422 of the Code.

O. Key Employee means an employee of the Company or of an Affiliate who is designated by the Committee as being eligible to be granted one or more Awards under the Plan.

P. Key Non-Employee means a Non-Employee Board Member, consultant, advisor or independent contractor of the Company or of an Affiliate who is designated by the Committee as being eligible to be granted one or more Awards under the Plan.

Q. Non-Employee Board Member means a director of the Company who is not an employee of the Company or any of its Affiliates.

R. Nonstatutory Option means an Option that, when granted, is not intended to be an "incentive stock option," as defined in Section 422 of the Code.

S. Option means a right or option to purchase Common Stock, including Restricted Stock if the Committee so determines.

T. Participant means a Key Employee or Key Non-Employee to whom one or more Awards are granted under the Plan.

U. Performance Award means an Award subject to the requirements of Article XI, and such performance conditions as the Committee deems appropriate or desirable.

V. Plan means [the Navigant Consulting], Inc. Long-Term Incentive Plan [(formerly The Metzler Group, Inc. Long-Term Income Plan)], as amended from time to time.

W. Restricted Stock means an Award made in Common Stock or denominated in units of Common Stock and delivered under the Plan, subject to the requirements of Article IX, such other restrictions as the Committee deems appropriate or desirable, and as awarded in accordance with the terms of the Plan.

X. Right means a stock appreciation right delivered under the Plan, subject to the requirements of Article X and as awarded in accordance with the terms of the Plan.

Y. Shares mean treasury or authorized but unissued [shares of] Common Stock, [$0.001] par value, of the Company, or any shares of capital stock into which the Shares are changed or for which they are exchanged within the provisions of Article XVIII of the Plan.

III. Shares Subject to the Plan

The aggregate number of Shares as to which Awards may be granted from time to time shall be 25% of the issued and outstanding shares of capital stock of the Company from time to time outstanding; provided that no change in the issued and outstanding capital stock shall cause the number of Shares as to which Awards may be granted to decrease; provided, further, that no more than 5,500,000 Shares (as adjusted for stock splits, stock dividends and other similar events) shall be available for the grant of Incentive Options hereunder.

In accordance with Code Section 162(m), if applicable, the aggregate number of Shares as to which Awards may be granted in any one calendar year to any one Key Employee shall not exceed three hundred thousand (300,000) Shares (subject to adjustment for stock splits, stock dividends, and other adjustments described in Article XVIII hereof).

From time to time, the Committee and appropriate officers of the Company shall take whatever actions are necessary to file required documents with governmental authorities and stock exchanges so as to make Shares available for issuance pursuant to the Plan. Shares subject to Awards that are exercised, are forfeited, terminated, expired unexercised, canceled by agreement of the Company and the Participant, settled in cash in lieu of Common Stock or in such manner that all or some of the Shares covered by such Awards are not issued to a Participant, or are exchanged for Awards that do not involve Common Stock, shall immediately become available for Awards. Awards payable in cash shall not reduce the number of Shares available for Awards under the Plan.

Except as otherwise set forth herein, the aggregate number of Shares as to which Awards may be granted shall be subject to change only by means of an amendment of the Plan duly adopted by the Company and approved by the stockholders of the Company within one year before or after the date of the adoption of the amendment.

IV. Administration of the Plan

The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum at any meeting thereof (including by telephone conference) and the acts of a majority of the members present, or acts approved in writing by a majority of the entire Committee without a meeting, shall be the acts of the Committee for purposes of this Plan. The Committee may authorize one or more of its members or an officer of the Company to execute and deliver documents on behalf of the Committee. A member of the Committee shall not exercise any discretion respecting himself or herself under the Plan. The Board shall have the authority to remove, replace or fill any vacancy of any member of the Committee upon notice to the Committee and the affected member. Any member of the Committee may resign upon notice to the Board. The Committee may allocate among one or more of its members, or may delegate to one or more of its agents, such duties and responsibilities as it determines. Subject to the provisions of the Plan, the Committee is authorized to:

A. Interpret the provisions of the Plan and any Award or Award Agreement, and make all rules and determinations that it deems necessary or advisable to the administration of the Plan;

B. Determine which employees of the Company or an Affiliate shall be designated as Key Employees and which of the Key Employees shall be granted Awards;

C. Determine the Key Non-Employees to whom Awards, other than Incentive Options and Performance Awards for which Key Non-Employees shall not be eligible, shall be granted;

D. Determine whether an Option to be granted shall be an Incentive Option or Nonstatutory Option;

E. Determine the number of Shares for which an Option or Restricted Stock shall be granted;

F. Determine the number of Rights, the Cash Award or the Performance Award to be granted;

G. Provide for the acceleration of the right to exercise any Award[;] and

H. Specify the terms, conditions, and limitations upon which Awards may be granted;

provided, however, that with respect to Incentive Options, all such interpretations, rules, determinations, terms, and conditions shall be made and prescribed in the context of preserving the tax status of the Incentive Options as incentive stock options within the meaning of Section 422 of the Code.

The Committee may delegate to the chief executive officer and to other senior officers of the Company or its Affiliates its duties under the Plan pursuant to such conditions or limitations as the Committee may establish, except that only the Committee may select, and grant Awards to, Participants who are subject to Section 16 of the Exchange Act. All determinations of the Committee shall be made by a majority of its members. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award.

The Committee shall have the authority at any time to cancel Awards for reasonable cause and to provide for the conditions and circumstances under which Awards shall be forfeited.

Any determination made by the Committee pursuant to the provisions of the Plan shall be made in its sole discretion, and in the case of any determination relating to an Award, may be made at the time of the grant of the Award or, unless in contravention of any express term of the Plan or an Agreement, at any time thereafter. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and the Participants. No determination shall be subject to de novo review if challenged in court.

V. Eligibility for Participation

Awards may be granted under this Plan only to Key Employees and Key Non-Employees of the Company or its Affiliates. The foregoing notwithstanding, each Participant receiving an Incentive Option must be a Key Employee of the Company or of an Affiliate at the time the Incentive Option is granted.

The Committee may at any time and from time to time grant one or more Awards to one or more Key Employees or Key Non-Employees and may designate the number of Shares, if applicable, to be subject to each Award so granted, provided, however that no Incentive Option shall be granted after the expiration of ten (10) years from the earlier of the date of the adoption of the Plan by the Company or the approval of the Plan by the stockholders of the Company, and provided further, that the Fair Market Value of the Shares (determined at the time the Option is granted) as to which Incentive Options are exercisable for the first time by any Key Employee during any single calendar year (under the Plan and under any other incentive stock option plan of the Company or an Affiliate) shall not exceed One Hundred Thousand Dollars ($100,000). To the extent that the Fair Market Value of such Shares exceeds One Hundred Thousand Dollars ($100,000), the Shares subject to Option in excess of One Hundred Thousand Dollars ($100,000) shall, without further action by the Committee, automatically be converted to Nonstatutory Options.

Notwithstanding any of the foregoing provisions, the Committee may authorize the grant of an Award to a person not then in the employ of, or engaged by, the Company or of an Affiliate, conditioned upon such person becoming eligible to be granted an Award at or prior to the execution of the Award Agreement evidencing the actual grant of such Award.

[The Awards of Formula Options to Non-Employee Board Members will not preclude the Committee from granting to such individuals other types of Awards under the Plan.]

VI. Awards Under this Plan

As the Committee may determine, the following types of Awards may be granted under the Plan on a stand alone, combination, or tandem basis:

A. Incentive Option

An Award in the form of an Option that shall comply with the requirements of Section 422 of the Code. Subject to adjustments in accordance with the provisions of Article XVIII, the aggregate number of Shares that may be subject to Incentive Options under the Plan shall not exceed [five million five hundred thousand (5,500,000).]

B. Nonstatutory Option

An Award in the form of an Option that shall not be intended to comply with the requirements of Section 422 of the Code.

C. Formula Option

An Award in the form of [a Nonstatutory Option automatically] granted to a Non-Employee Board Member [in accordance with Article VIII of the Plan.]

D. Restricted Stock

An Award made to a Participant in Common Stock or denominated in units of Common Stock, subject to future service and such other restrictions and conditions as may be established by the Committee, and as set forth in the Award Agreement, including but not limited to continuous service with the Company or its Affiliates,

achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance.

E. Stock Appreciation Right

An Award in the form of a Right to receive the excess of the Fair Market Value of a Share on the date the Right is exercised over the Fair Market Value of a Share on the date the Right was granted.

F. Performance Awards

An Award made to a Participant that is subject to performance conditions specified by the Committee, including but not limited to continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance.

G. Cash Awards

An Award made to a Participant and denominated in cash, with the eventual payment subject to future service and such other restrictions and conditions as may be established by the Committee, and as set forth in the Award Agreement.

Each Award under the Plan shall be evidenced by an Award Agreement. Delivery of an Award Agreement to each Participant shall constitute an agreement between the Company and the Participant as to the terms and conditions of the Award.

VII. Terms and Conditions of Incentive Options and Nonstatutory Options

Each Option shall be set forth in an Award Agreement, duly executed on behalf of the Company and by the Participant to whom such Option is granted. Except for the setting of the Option price under Paragraph A, no Option shall be granted and no purported grant of any Option shall be effective until such Award Agreement shall have been duly executed on behalf of the Company and by the Participant. Each such Award Agreement shall be subject to at least the following terms and conditions:

A. Option Price

The purchase price of the Shares covered by each Option granted under the Plan shall be determined by the Committee. The Option price per share of the Shares covered by each Nonstatutory Option shall be at such amount as may be determined by the Committee in its sole discretion on the date of the grant of the Option. In the case of an Incentive Option, if the Participant owns directly or by reason of the applicable attribution rules ten percent (10%) or less of the total combined voting power of all classes of share capital of the Company, the Option price per share of the Shares covered by each Incentive Option shall be not less than the Fair Market Value of the Shares on the date of the grant of the Incentive Option. In all other cases of Incentive Options, the Option price shall be not less than one hundred ten percent (110%) of the Fair Market Value on the date of grant.

B. Number of Shares

Each Option shall state the number of Shares to which it pertains.

C. Term of Option

Each Incentive Option shall terminate not more than ten (10) years from the date of the grant thereof, or at such earlier time as the Award Agreement may provide, and shall be subject to earlier termination as herein provided, except that if the Option price is required under Paragraph A of this Article VII to be at least one

hundred ten percent (110%) of Fair Market Value, each such Incentive Option shall terminate not more than five (5) years from the date of the grant thereof, and shall be subject to earlier termination as herein provided. The Committee shall determine the time at which a Nonstatutory Option shall terminate.

D. Date of Exercise

Upon the authorization of the grant of an Option, or at any time thereafter, the Committee may, subject to the provisions of Paragraph C of this Article VII, prescribe the date or dates on which the Option becomes exercisable, and may provide that the Option become exercisable in installments over a period of years, or upon the attainment of stated goals.

E. Medium of Payment

The Option price shall be payable upon the exercise of the Option, as set forth in Paragraph I. It shall be payable in such form (permitted by Section 422 of the Code in the case of Incentive Options) as the Committee shall, either by rules promulgated pursuant to the provisions of Article IV of the Plan, or in the particular Award Agreement, provide.

F. Termination of Employment

1. A Participant who ceases to be an employee or Key Non-Employee of the Company or of an Affiliate for any reason other than death, Disability, or termination "for cause," as defined in subparagraph (2) below, may exercise any Option granted to such Participant, to the extent that the right to purchase Shares thereunder has become exercisable on the date of such termination, but only within three (3) months after such date, or, if earlier, within the originally prescribed term of the Option. A Participant's employment shall not be deemed terminated by reason of a transfer to another employer that is the Company or an Affiliate.

2. A Participant who ceases to be an employee or Key Non-Employee of the Company or of an Affiliate "for cause" shall, upon such termination, cease to have any right to exercise any Option. For purposes of this Plan, cause

shall mean (i) a Participant's theft or embezzlement, or attempted theft or embezzlement, of money or property of the Company, a Participant's perpetration or attempted perpetration of fraud, or a Participant's participation in a fraud or attempted fraud, the Company or a Participant's unauthorized appropriation of, or a Participant's attempt to misappropriate, any tangible or intangible assets or property of the Company; (ii) any act or acts of disloyalty, dishonesty, misconduct, moral turpitude, or any other act or acts by a Participant injurious to the interest, property, operations, business or reputation of the Company; (iii) a Participant's commission of a felony or any other crime the commission of which results in injury to the Company; or (iv) any violation of any restriction on the disclosure or use of confidential information of the Company or on competition with the Company or any of its businesses as then conducted. The determination of the Committee as to the existence of cause shall be conclusive and binding upon the Participant and the Company.

3. A Participant who is absent from work with the Company or an Affiliate because of temporary disability (any disability other than a Disability), or who is on leave of absence for any purpose permitted by any authoritative interpretation (i.e., regulation, ruling, case law, etc.) of Section 422 of the Code, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated his or her employment or relationship with the Company or with an Affiliate, except as the Committee may otherwise expressly provide or determine.

4. Paragraph F(1) shall control and fix the rights of a Participant who ceases to be an employee or Key Non-Employee of the Company or of an Affiliate for any reason other than Disability, death, or termination "for cause," and who subsequently becomes Disabled or dies. Nothing in Paragraphs G and H of this Article VII shall be applicable in any such case except that, in the event of such a subsequent Disability or death within the three (3) month period after the termination of employment or, if earlier, within the

originally prescribed term of the Option, the Participant or the Participant's estate or personal representative may exercise the Option permitted by this Paragraph F within twelve (12) months after the date of Disability or death of such Participant, but in no event beyond the originally prescribed term of the Option.

G. Total and Permanent Disability

A Participant who ceases to be an employee or Key Non-Employee of the Company or of an Affiliate by reason of Disability may exercise any Option granted to such Participant (i) to the extent that the right to purchase Shares thereunder has become exercisable on or before the date such Participant becomes Disabled as determined by the Committee, and (ii) if the Option becomes exercisable periodically, to the extent of any additional rights that would have become exercisable had the Participant not become so Disabled until after the close of business on the next periodic exercise date.

A Disabled Participant shall exercise such rights, if at all, only within a period of not more than twelve (12) months after the date that the Participant became Disabled as determined by the Committee (notwithstanding that the Participant might have been able to exercise the Option as to some or all of the Shares on a later date if the Participant had not become Disabled) or, if earlier, within the originally prescribed term of the Option.

H. Death

In the event that a Participant to whom an Option has been granted ceases to be an employee or Key Non-Employee of the Company or of an Affiliate by reason of such Participant's death, such Option, to the extent that the right is exercisable but not exercised on the date of death, may be exercised by the Participant's estate or personal representative within twelve (12) months after the date of death of such Participant or, if earlier, within the originally prescribed term of the Option, notwithstanding that the decedent might have been able to exercise the Option as to some or all of the Shares on a later date if the Participant were alive and had continued to be an employee or Key Non-Employee of the Company or of an Affiliate.

I. Exercise of Option and Issuance of Stock

Options shall be exercised by giving written notice to the Company. Such written notice shall: (i) be signed by the person exercising the Option, (ii) state the number of Shares with respect to which the Option is being exercised, (iii) contain the warranty required by paragraph M of this Article VII, if applicable, and (iv) specify a date (other than a Saturday, Sunday or legal holiday) not less than five (5) nor more than ten (10) days after the date of such written notice, as the date on which the Shares will be purchased. Such tender and conveyance shall take place at the principal office of the Company during ordinary business hours, or at such other hour and place agreed upon by the Company and the person or persons exercising the Option. On the date specified in such written notice (which date may be extended by the Company in order to comply with any law or regulation that requires the Company to take any action with respect to the Option Shares prior to the issuance thereof), the Company shall accept payment for the Option Shares in cash, by bank or certified check, by wire transfer, or by such other means as may be approved by the Committee and shall deliver to the person or persons exercising the Option in exchange therefor an appropriate certificate or certificates for fully paid nonassessable Shares or undertake to deliver certificates within a reasonable period of time. In the event of any failure to take up and pay for the number of Shares specified in such written notice on the date set forth therein (or on the extended date as above provided), the right to exercise the Option shall terminate with respect to such number of Shares, but shall continue with respect to the remaining Shares covered by the Option and not yet acquired pursuant thereto.

If approved in advance by the Committee, payment in full or in part also may be made (i) by delivering Shares already owned by the Participant having a total Fair Market Value on the date of such delivery equal to the Option price; (ii) by the execution and delivery of a note or other evidence of indebtedness (and any security agreement thereunder) satisfactory to the Committee; (iii) by the delivery of cash or the extension of credit by a broker-dealer to whom the Participant has submitted a notice of exercise or otherwise indicated an intent to

exercise an Option (in accordance with part 220, Chapter II, Title 12 of the Code of Federal Regulations, a so-called "cashless" exercise); or ([i]v) by any combination of the foregoing.

J. Rights as a Stockholder

No Participant to whom an Option has been granted shall have rights as a stockholder with respect to any Shares covered by such Option except as to such Shares as have been registered in the Company's share register in the name of such Participant upon the due exercise of the Option and tender of the full Option price.

K. Assignability and Transferability of Option

Unless otherwise permitted by the Code and by Rule 16b-3 of the Exchange Act, if applicable, and approved in advance by the Committee, an Option granted to a Participant shall not be transferable by the Participant and shall be exercisable, during the Participant's lifetime, only by such Participant or, in the event of the Participant's incapacity, his guardian or legal representative. Except as otherwise permitted herein, such Option shall not be assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment, or similar process and any attempted transfer, assignment, pledge, hypothecation or other disposition of any Option or of any rights granted thereunder contrary to the provisions of this Paragraph K, or the levy of any attachment or similar process upon an Option or such rights, shall be null and void.

L. Other Provisions

The Award Agreement for an Incentive Option shall contain such limitations and restrictions upon the exercise of the Option as shall be necessary in order that such Option can be an "incentive stock option" within the meaning of Section 422 of the Code. Further, the Award Agreements authorized under the Plan shall be subject to such other terms and conditions including, without limitation, restrictions upon the exercise of the Option, as the Committee shall deem advisable and which, in the case of Incentive Options, are not inconsistent with the requirements of Section 422 of the Code.

M. Purchase for Investment

If Shares to be issued upon the particular exercise of an Option shall not have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended, the Company shall be under no obligation to issue the Shares covered by such exercise unless and until the following conditions have been fulfilled. The person who exercises such Option shall warrant to the Company that, at the time of such exercise, such person is acquiring his or her Option Shares for investment and not with a view to, or for sale in connection with, the distribution of any such Shares, and shall make such other representations, warranties, acknowledgements, and affirmations, if any, as the Committee may require. In such event, the person acquiring such Shares shall be bound by the provisions of the following legend (or similar legend) which shall be endorsed upon the certificate(s) evidencing his or her Option Shares issued pursuant to such exercise.

> "The shares represented by this certificate have been acquired for investment and they may not be sold or otherwise transferred by any person, including a pledgee, in the absence of an effective registration statement for the shares under the Securities Act of 1933 or an opinion of counsel satisfactory to the Company that an exemption from registration is then available."

> "The shares of stock represented by this certificate are subject to all of the terms and conditions of a certain Stockholders' Agreement dated as of   , 199 , among the Company and certain of its stockholders. A copy of the Agreement is on file in the office of the Secretary of the Company. The Agreement provides, among other things, for restrictions upon the holder's right to transfer the shares represented hereby, and for certain prior rights to purchase and certain obligations to sell the shares of common stock evidenced by this certificate at a designated purchase price determined in accordance with certain procedures. Any attempted transfer of these shares other than in compliance with the Agreement

> shall be void and of no effect. By accepting the shares of stock evidenced by this certificate, any permitted transferee agrees to be bound by all of the terms and conditions of said Agreement."

Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining any consent that the Company deems necessary under any applicable law (including without limitation state securities or "blue sky" laws).

VIII. Formula Options

[A. Grant on November 30, 2000

Each individual serving as a Non-Employee Board Member immediately following the conclusion of the annual meeting of stockholders to be held on November 30, 2000 automatically shall be granted, on such date, a Formula

Option to purchase fifteen thousand (15,000) Shares; provided, however, that the number of Shares subject to such November 30, 2000 Formula Option shall be reduced by the number of Shares subject to any Formula Option granted under the Plan to the Non-Employee Board Member during the 90 days immediately preceding November 30, 2000. The purchase price of each Share subject to the Formula Option shall be equal to 100% of the Fair Market Value of a Share of Common Stock on the date of grant of such option. The Formula Option shall become fully exercisable on May 31, 2001.

B. Grant Upon Initial Election

Each individual who is first elected or first begins to serve as a Non-Employee Board Member after November 30, 2000 other than by reason of termination of employment automatically shall be granted, on the date of such initial election or service, a Formula Option to purchase fifteen thousand (15,000) Shares. The foregoing notwithstanding, and in lieu thereof, each Non-Employee Board Member whose initial election or service other than by reason of termination of employment is for a term of less than three (3) years automatically shall be granted, on the date of his or her initial election or service, a Formula Option to purchase five thousand (5,000) Shares for each full year of his or her term as a Non-Employee Board Member. The purchase price of each Share subject to the Formula Option shall be equal to 100% of the Fair Market Value of a Share of Common Stock on the date of grant of such option. The Formula Option shall become fully exercisable on the six (6) month anniversary of the date of the Non-Employee Board Member's initial election or service.

C. Annual Grants

Each January 1st occurring after November 30, 2000 and during a Non-Employee Board Member's initial term, or any subsequent term, the Non-Employee Board Member automatically shall be granted a Formula Option to purchase five thousand (5,000) Shares. The purchase price of each Share subject to the Formula Option shall be equal to 100% of the Fair Market Value of a Share of Common Stock on the date of grant of such option. The Formula Option shall become fully exercisable on the one year anniversary of the January 1st grant date.

D. Provisions Applicable to All Formula Options

Notwithstanding the provisions regarding exercisability of a Formula Option otherwise stated in this Article VIII,] if a Non-Employee Board Member shall cease to be a director of the Company because of death or Disability, [the] Formula Option shall become immediately exercisable and shall be exercisable in accordance with Paragraphs G and H of Article VI [and if] a Non-Employee Board Member ceases to be a director of the Company for any reason other than death or Disability, his or her right to exercise the Formula Option, and the timing of such exercise, shall be governed by the applicable provisions of Paragraph F of Article VII.

Formula Options shall be evidenced by an Award Agreement which shall conform to the requirements of the Plan, and may contain such other provisions not inconsistent therewith, as the Committee shall deem

advisable. The provisions of Article VII governing Nonstatutory Options, and the exercise and issuance thereof, shall apply to Formula Options to the extent such provisions are not inconsistent with this Article VIII.

IX. Required Terms and Conditions of Restricted Stock

A. The Committee may from time to time grant an Award in Shares of Common Stock or grant an Award denominated in units of Common Stock, for such consideration, if any, as the Committee deems appropriate (which amount may be less than the Fair Market Value of the Common Stock on the date of the Award), and subject to such restrictions and conditions and other terms as the

Committee may determine at the time of the Award (including, but not limited to, continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance), and subject further to the general provisions of the Plan, the applicable Award Agreement, and the following specific rules.

B. If Shares of Restricted Stock are awarded, such Shares cannot be assigned, sold, transferred, pledged, or hypothecated prior to the lapse of the restrictions applicable thereto, and, in no event, prior to six (6) months from the date of the Award. The Company shall issue, in the name of the Participant, stock certificates representing the total number of Shares of Restricted Stock awarded to the Participant, as soon as may be reasonably practicable after the grant of the Award, which certificates shall be held by the Secretary of the Company as provided in Paragraph G.

C. Restricted Stock issued to a Participant under the Plan shall be governed by an Award Agreement that shall specify whether Shares of Common Stock are awarded to the Participant, or whether the Award shall be one not of Shares of Common Stock but one denominated in units of Common Stock, any consideration required thereto, and such other provisions as the Committee shall determine.

D. Subject to the provisions of Paragraphs B and E hereof and the restrictions set forth in the related Award Agreement, the Participant receiving an Award of Shares of Restricted Stock shall thereupon be a stockholder with respect to all of the Shares represented by such certificate or certificates and shall have the rights of a stockholder with respect to such Shares, including the right to vote such Shares and to receive dividends and other distributions made with respect to such Shares. All Common Stock received by a Participant as the result of any dividend on the Shares of Restricted Stock, or as the result of any stock split, stock distribution, or combination of the Shares affecting Restricted Stock, shall be subject to the restrictions set forth in the related Award Agreement.

E. Restricted Stock awarded to a Participant pursuant to the Plan will be forfeited, and any Shares of Restricted Stock or units of Restricted Stock sold to a Participant pursuant to the Plan may, at the Company's option, be resold to the Company for an amount equal to the price paid therefor, and in either case, such Restricted Stock shall revert to the Company, if the Company so determines in accordance with Article XIV or any other condition set forth in the Award Agreement, or, alternatively, if the Participant's employment with the Company or its Affiliates terminates, other than for reasons set forth in Article XIII, prior to the expiration of the forfeiture or restriction provisions set forth in the Award Agreement.

F. The Committee, in its discretion, shall have the power to accelerate the date on which the restrictions contained in the Award Agreement shall lapse with respect to any or all Restricted Stock awarded under the Plan.

G. The Secretary of the Company shall hold the certificate or certificates representing Shares of Restricted Stock issued under the Plan, properly endorsed for transfer, on behalf of each Participant who holds such Shares, until such time as the Shares of Restricted Stock are forfeited, resold to the Company, or the restrictions lapse. Any Restricted Stock denominated in units of Common Stock, if not previously forfeited, shall be payable in accordance with Article XV as soon as practicable after the restrictions lapse.

H. The Committee may prescribe such other restrictions, conditions, and terms applicable to Restricted Stock issued to a Participant under the Plan that are neither inconsistent with nor prohibited by the Plan or the

Award Agreement, including, without limitation, terms providing for a lapse of the restrictions of this Article or any Award Agreement in installments.

X. Required Terms and Conditions of Stock Appreciation Rights

If deemed by the Committee to be in the best interests of the Company, a Participant may be granted a Right. Each Right shall be granted subject to such restrictions and conditions and other terms as the Committee may specify in the Award Agreement at the time the Right is granted, subject to the general provisions of the Plan, and the following specific rules.

A. Rights may be granted, if at all, either singly, in combination with another Award, or in tandem with another Award. At the time of grant of a Right, the Committee shall specify the base price of Common Stock to be used in connection with the calculation described in Paragraph B below, provided that the base price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share of Common Stock on the date of grant, unless approved by the Board.

B. Upon exercise of a Right, which shall be not less than six (6) months from the date of the grant, the Participant shall be entitled to receive in accordance with Article XV, and as soon as practicable, the excess of the Fair Market Value of one Share of Common Stock on the date of exercise over the base price specified in such Right, multiplied by the number of Shares of Common Stock then subject to the Right, or the portion thereof being exercised.

C. Notwithstanding anything herein to the contrary, if the Award granted to a Participant allows him or her to elect to cancel all or any portion of an unexercised Option by exercising an additional or tandem Right, then the Option price per Share of Common Stock shall be used as the base price specified in Paragraph A to determine the value of the Right upon such exercise and, in the event of the exercise of such Right, the Company's obligation with respect to such Option or portion thereof shall be discharged by payment of the Right so exercised. In the event of such a cancellation, the number of Shares as to which such Option was canceled shall become available for use under the Plan, less the number of Shares, if any, received by the Participant upon such cancellation in accordance with Article XV.

D. A Right may be exercised only by the Participant (or, if applicable under Article XIII, by a legatee or legatees of such Right, or by the Participant's executors, personal representatives, or distributees).

XI. Performance Awards

A. A Participant may be granted an Award that is subject to performance conditions specified by the Committee. The Committee may use business criteria and other measures of performance it deems appropriate in establishing any performance conditions (including, but not limited to, continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance), and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as otherwise limited under Paragraphs C and D, below, in the case of a Performance Award intended to qualify under Code Section 162(m).

B. Any Performance Award will be forfeited if the Company so determines in accordance with Article XIV or any other condition set forth in the Award Agreement, or, alternatively, if the Participant's employment with the Company or its Affiliates terminates, other than for reasons set forth in Article XIII, prior to the expiration of the time period over which the performance conditions are to be measured.

C. If the Committee determines that a Performance Award to be granted to a Key Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant and/or settlement of such

Performance Award shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Paragraph C.

1. Performance Goals Generally. The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to such criteria, as specified by the Committee consistent with this Paragraph C. Performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m), including the requirement that the level or levels of performance targeted by the Committee result in the performance goals being "substantially uncertain." The Committee may determine that more than one performance goal must be achieved as a condition to settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

2. Business Criteria. One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified Affiliates or business units of the Company (except with respect to the total stockholder return[,] earnings per [S]hare [and price of a Share] criteria), shall be used exclusively by the Committee in establishing performance goals for such Performance Awards: (1) total stockholder return; (2) such total stockholder return as compared to the total return (on a comparable basis) of a publicly available index such as, but not limited to, the Standard & Poor's 500 or the Nasdaq-U.S. Index; (3) net income; (4) pre-tax earnings; (5) EBITDA; (6) pre-tax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items; (7) operating margin; (8) earnings per [S]hare; (9) return on equity; (10) return on capital; (11) return on investment; (12) operating income, excluding the effect of charges for acquired in-process technology and before payment of executive bonuses; (13) earnings per [S]hare, excluding the effect of charges for acquired in-process technology and before payment of executive bonuses; (14) working capital; (15) total revenues; [and (16) price of a Share or an increase in such price.] The foregoing business criteria also may be used in establishing performance goals for Cash Awards granted under Article XII hereof.

3. Compensation Limitation. No Key Employee may receive a Performance Award in excess of $2,400,000 for any three (3) year period.

D. Achievement of performance goals in respect of such Performance Awards shall be measured over such periods as may be specified by the Committee. Performance goals shall be established on or before the dates that are required or permitted for "performance-based compensation" under Code Section 162(m).

E. Settlement of Performance Awards may be in cash or Shares, or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable in respect of a Performance Award subject to Code Section 162(m).

XII. Required Terms and Conditions of Cash Awards

A. The Committee may from time to time authorize the award of cash payments under the Plan to Participants, subject to such restrictions and conditions and other terms as the Committee may determine at the time of authorization (including, but not limited to, continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance), and subject to the general provisions of the Plan, the applicable Award Agreement, and the following specific rules.

B. Any Cash Award will be forfeited if Company so determines in accordance with Article XIV or any other condition set forth in the Award Agreement, or, alternatively, if the Participant's employment with the Company or its Affiliates terminates, other than for reasons set forth in Article XIII, prior to the attainment of any goals set forth in the Award Agreement or prior to the expiration of the forfeiture or restriction provisions set forth in the

Award Agreement, whichever is applicable.

C. The Committee, in its discretion, shall have the power to change the date on which the restrictions contained in the Award Agreement shall lapse, or the date on which goals are to be measured, with respect to any Cash Award.

D. Any Cash Award, if not previously forfeited, shall be payable in accordance with Article XV as soon as practicable after the restrictions lapse or the goals are attained.

E. The Committee may prescribe such other restrictions, conditions, and terms applicable to the Cash Awards issued to a Participant under the Plan that are neither inconsistent with nor prohibited by the Plan or the Award Agreement, including, without limitation, terms providing for a lapse of the restrictions, or a measurement of the goals, in installments.

XIII. Termination of Employment

Except as may otherwise be (i) provided in Article VII for Options, (ii) provided for under the Award Agreement, or (iii) permitted pursuant to Paragraphs A through C of this Article XIII (subject to the limitations under the Code for Incentive Options), if the employment of a Participant terminates, all unexpired, unpaid, unexercised, or deferred Awards shall be canceled immediately.

A. Retirement under a Company or Affiliate Retirement Plan. When a Participant's employment terminates as a result of retirement as defined under a Company or Affiliate retirement plan, the Committee may permit Awards to continue in effect beyond the date of retirement in accordance with the applicable Award Agreement, and/or the exercisability and vesting of any Award may be accelerated.

B. Resignation in the Best Interests of the Company or an Affiliate. When a Participant resigns from the Company or an Affiliate and, in the judgment of the chief executive officer or other senior officer designated by the Committee, the acceleration and/or continuation of outstanding Awards would be in the best interests of the Company, the Committee may (i) authorize, where appropriate, the acceleration and/or continuation of all or any part of Awards granted prior to such termination and (ii) permit the exercise, vesting, and payment of such Awards for such period as may be set forth in the applicable Award Agreement, subject to earlier cancellation pursuant to Article XIV or at such time as the Committee shall deem the continuation of all or any part of the Participant's Awards are not in the Company's or its Affiliate's best interests.

C. Death or Disability of a Participant

1. In the event of a Participant's death, the Participant's estate or beneficiaries shall have a period up to the earlier of (i) the expiration date specified in the Award Agreement, or (ii) the expiration date specified in Paragraph H of Article VII, within which to receive or exercise any outstanding Awards held by the Participant under such terms as may be specified in the applicable Award Agreement. Rights to any such outstanding Awards shall pass by will or the laws of descent and distribution in the following order: (a) to beneficiaries so designated by the Participant; (b) to a legal representative of the Participant; or (c) to the persons entitled thereto as determined by a court of competent jurisdiction. Awards so passing shall be made at such times and in such manner as if the Participant were living.

2. In the event a Participant is determined by the Company to be Disabled, and subject to the limitations of Paragraph G of Article VII, Awards may be paid to, or exercised by, the Participant, if legally competent, or by a legally designated guardian or other representative if

the Participant is legally incompetent by virtue of such Disability.

3. After the death or Disability of a Participant, the Committee may in its sole discretion at any time (i) terminate restrictions in Award Agreements; (ii) accelerate any or all installments and rights; and/or (iii) instruct the Company to pay the total of any accelerated payments in a lump sum to the Participant, the Participant's estate, beneficiaries or representative, notwithstanding that, in the absence of such termination of restrictions or acceleration of payments, any or all of the payments due under the Awards ultimately might have become payable to other beneficiaries.

XIV. Cancellation and Rescission of Awards

Unless the Award Agreement specifies otherwise, the Committee may cancel any unexpired, unpaid, unexercised, or deferred Awards at any time if the Participant is not in compliance with the applicable provisions of the Award Agreement, the Plan, or with the following conditions:

A. A Participant shall not breach any protective agreement entered into between him or her and the Company or any Affiliates, or render services for any organization or engage directly or indirectly in any business which, in the judgment of the chief executive officer of the Company or other senior officer designated by the Committee, is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company. For a Participant whose employment has terminated, the judgment of the chief executive officer shall be based on terms of the protective agreement, if applicable, or on the Participant's position and responsibilities while employed by the Company or its Affiliates, the Participant's post-employment responsibilities and position with the other organization or business, the extent of past, current, and potential competition or conflict between the Company and other organization or business, the effect of the Participant's assuming the post-employment position on the Company's or its Affiliate's customers, suppliers, investors, and competitors, and such other considerations as are deemed relevant given the applicable facts and circumstances. A Participant may, however, purchase as an investment or otherwise, stock or other securities of any organization or business so long as they are listed upon a recognized securities exchange or traded over-the-counter, and such investment does not represent a substantial investment to the Participant or a greater than one percent (1%) equity interest in the organization or business.

B. A Participant shall not, without prior written authorization from the Company, disclose to anyone outside the Company or its Affiliates, or use in other than the Company's or Affiliate's business, any confidential information or materials relating to the business of the Company or its Affiliates, acquired by the Participant either during or after employment with the Company or its Affiliates.

C. A Participant shall disclose promptly and assign to the Company all right, title, and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment with the Company or an Affiliate, relating in any manner to the actual or anticipated business, research, or development work of the Company or its Affiliates, and shall do anything reasonably necessary to enable the Company or its Affiliates to secure a patent, trademark, copyright, or other protectable interest where appropriate in the United States and in foreign countries.

Upon exercise, payment, or delivery pursuant to an Award, the Participant shall certify on a form acceptable to the Committee that he or she is in compliance with the terms and conditions of the Plan, including the provisions of Paragraphs A, B or C of this Article XIV. Failure to comply with the provisions of Paragraphs A, B or C of this Article XIV prior to, or during the one (1) year period after, any exercise, payment, or delivery pursuant to an Award shall cause such exercise, payment, or delivery to be rescinded. The Company shall notify the Participant in writing of any such rescission within two (2) years after such exercise, payment, or delivery. Within ten (10) days after receiving such a notice from the Company, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment, or delivery pursuant to the Award. Such payment shall be made either in cash or by returning to the Company the number of Shares of Common Stock that the Participant received in connection with the rescinded exercise, payment, or delivery.

XV. Payment of Restricted Stock, Rights, Performance Awards and Cash Awards

Payment of Restricted Stock, Rights, Performance Awards and Cash Awards may be made, as the Committee shall specify, in the form of cash, Shares of Common Stock, or combinations thereof; provided, however, that a fractional Share of Common Stock shall be paid in cash equal to the Fair Market Value of the fractional Share of Common Stock at the time of payment.

XVI. Withholding

Except as otherwise provided by the Committee,

A. The Company shall have the power and right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of this Plan; and

B. In the case of payments of Awards, or upon any other taxable event hereunder, a Participant may elect, subject to the approval in advance by the Committee, to satisfy the withholding requirement, if any, in whole or in part, by having the Company withhold Shares of Common Stock that would otherwise be transferred to the Participant having a Fair Market Value, on the date the tax is to be determined, equal to the minimum marginal tax that could be imposed on the transaction. All elections shall be made in writing and signed by the Participant.

XVII. Savings Clause

This Plan is intended to comply in all respects with applicable law and regulations, including, (i) with respect to those Participants who are officers or directors for purposes of Section 16 of the Exchange Act, Rule 16b-3 of the Securities and Exchange Commission, if applicable, and (ii) with respect to executive officers, Code Section 162(m). In case any one or more provisions of this Plan shall be held invalid, illegal, or unenforceable in any respect under applicable law and regulation (including Rule 16b-3 and Code Section 162(m)), the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal, or unenforceable provision shall be deemed null and void; however, to the extent permitted by law, any provision that could be deemed null and void shall first be construed, interpreted, or revised retroactively to permit this Plan to be construed in compliance with all applicable law (including Rule 16b-3 and Code Section 162(m)) so as to foster the intent of this Plan. Notwithstanding anything herein to the contrary, with respect to Participants who are officers and directors for purposes of Section 16 of the Exchange Act, if applicable, and if required to comply with rules promulgated thereunder, no grant of, or Option to purchase, Shares shall permit unrestricted ownership of Shares by the Participant for at least six (6) months from the date of grant or Option, unless the Board determines that the grant of, or Option to purchase, Shares otherwise satisfies the then current Rule 16b-3 requirements.

XVIII. Adjustments upon Changes in Capitalization; Corporate Transactions

In the event that the outstanding Shares of the Company are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, change in par value, stock split-up, combination of shares or dividends payable in capital stock, or the like, appropriate adjustments to prevent dilution or enlargement of the Awards granted to, or available for, Participants shall be made in the manner and kind of Shares for the purchase of which Awards may be granted under the Plan, and, in addition, appropriate adjustment shall be made in the number and kind of Shares and in the Option price per share subject to outstanding Options. The foregoing notwithstanding, no such adjustment shall be made in an Incentive Option which shall, within the meaning of Section 424 of the Code, constitute such a modification, extension, or renewal of an Option as to cause it to be considered as the grant of a new Option.

Notwithstanding anything herein to the contrary, the Company may, in its sole discretion, accelerate the timing of the exercise provisions of any Award in the event of a tender offer for the Company's Shares, the adoption of a plan of merger or consolidation under which a majority of the Shares of the Company would be eliminated, or a sale of all or any portion of the Company's assets or capital stock. Alternatively, the Company may, in its sole discretion, cancel any or all Awards upon any of the foregoing events and provide for the payment to Participants in cash of an amount equal to the value or appreciated value, whichever is applicable, of the Award, as determined in good faith by the Committee, at the close of business on the date of such event. The

preceding two sentences of this Article XVIII notwithstanding, the Company shall be required to accelerate the timing of the exercise provisions of any Award if (i) any such business combination is to be accounted for as a pooling-of-interests under APB Opinion 16 and (ii) the timing of such acceleration does not prevent such pooling-of-interests treatment.

Upon a business combination by the Company or any of its Affiliates with any corporation or other entity through the adoption of a plan of merger or consolidation or a share exchange or through the purchase of all or substantially all of the capital stock or assets of such other corporation or entity, the Board or the Committee may, in its sole discretion, grant Options pursuant hereto to all or any persons who, on the effective date of such transaction, hold outstanding options to purchase securities of such other corporation or entity and who, on and after the effective date of such transaction, will become employees or directors of, or consultants or advisors to, the Company or its Affiliates. The number of Shares subject to such substitute Options shall be determined in accordance with the terms of the transaction by which the business combination is effected. Notwithstanding the other provisions of this Plan, the other terms of such substitute Options shall be substantially the same as or economically equivalent to the terms of the options for which such Options are substituted, all as determined by the Board or by the Committee, as the case may be. Upon the grant of substitute Options pursuant hereto, the options to purchase securities of such other corporation or entity for which such Options are substituted shall be cancelled immediately.

XIX. Dissolution or Liquidation of the Company

Upon the dissolution or liquidation of the Company other than in connection with a transaction to which Article XVIII is applicable, all Awards granted hereunder shall terminate and become null and void; provided, however, that if the rights of a Participant under the applicable Award have not otherwise terminated and expired, the Participant may, if the Committee, in its sole discretion, so permits, have the right immediately prior to such dissolution or liquidation to exercise any Award granted hereunder to the extent that the right thereunder has become exercisable as of the date immediately prior to such dissolution or liquidation.

XX. Termination of the Plan

The Plan shall terminate (10) years from the earlier of the date of its adoption by the Board or the date of its approval by the stockholders. The Plan may be terminated at an earlier date by vote of the stockholders or the Board; provided, however, that any such earlier termination shall not affect any Award Agreements executed prior to the effective date of such termination. Notwithstanding anything in this Plan to the contrary, any Options granted prior to the effective date of the Plan's termination may be exercised until the earlier of (i) the date set forth in the Award Agreement, or (ii) in the case of an Incentive Option, ten (10) years from the date the Option is granted; and the provisions of the Plan with respect to the full and final authority of the Committee under the Plan shall continue to control.

XXI. Amendment of the Plan

The Plan may be amended by the Board and such amendment shall become effective upon adoption by the Board; provided, however, that any amendment that (i) increases the numbers of Shares that may be granted under this Plan, other than as provided by Article XVIII, (ii) materially modifies the requirements as to eligibility to participate in the Plan, (iii) materially increases the benefits to Participants, (iv) extends the period during which Incentive Options may be granted or exercised, or (v) changes the designation of the class of employees eligible to receive Incentive Options, or otherwise causes the Incentive Options to no longer qualify as "incentive stock options" as defined in Section 422 of the Code, also shall be subject to the approval of the stockholders of the Company within one (1) year either before or after such adoption by the Board, subject to the requirements of Article XVII of the Plan.

XXII. Employment Relationship

Nothing herein contained shall be deemed to prevent the Company or an Affiliate from terminating the employment of a Participant, nor to prevent a Participant from terminating the Participant's employment with the Company or an Affiliate.

XXIII. Indemnification of Committee

In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken by them as directors or members of the Committee and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Board) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that the director or Committee member is liable for gross negligence or willful misconduct in the performance of his or her duties. To receive such indemnification, a director or Committee member must first offer in writing to the Company the opportunity, at its own expense, to defend any such action, suit or proceeding.

XXIV. Unfunded Plan

Insofar as it provides for payments in cash in accordance with Article XV, or otherwise, the Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Common Stock, or rights thereto under the Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Common Stock, or rights thereto, nor shall the Plan be construed as providing for such segregation, nor shall the Company, the Board, or the Committee be deemed to be a trustee of any cash, Common Stock, or rights thereto to be granted under the Plan. Any liability of the Company to any Participant with respect to a grant of cash, Common Stock, or rights thereto under the Plan shall be based solely upon any contractual obligations that may be created by the Plan and any Award Agreement; no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by the Plan.

[XXV]. Effective Date

This Plan shall become effective upon adoption by the Board, provided that the Plan is approved by the stockholders of the Company before or at the Company's next annual meeting, but in no event shall stockholder approval be sought more than one (1) year after such adoption by the Board.

[XXVI]. Governing Law

This Plan shall be governed by the laws of the State of Illinois and construed in accordance therewith.

Adopted this 30th day of November, 2000.

Appendix A

FIFTH AMENDMENT TO THE
METZLER GROUP, INC.
EMPLOYEE STOCK PURCHASE PLAN

The Metzler Group, Inc. Employee Stock Purchase Plan (the "Plan") is hereby amended effective November 30, 2000, subject to shareholder approval, as follows:

1. Subsection G of Section 2 will be amended in its entirety to change the definition of "Company" to read as follows:

"Company" means Navigant Consulting, Inc., a Delaware corporation, and any successor thereto.

2. Subsection O of Section 2 will be amended in its entirety to change the name of "Plan" to read as follows:

"Plan" means the "Navigant Consulting, Inc. Employee Stock Purchase Plan."

3. The second sentence of Subsection A of Section 5, "Stock," will be deleted in its entirety and substituted with the following:

The aggregate number of shares of Common Stock that will be made available for purchase under the Plan will not exceed 750,000 shares of Common Stock, plus an annual increase to be added each January 1 in an amount equal to the lesser of (i) 500,000 shares of Common Stock or (ii) 1.2% of the issued and outstanding shares of Common Stock; provided, however, that the aggregate number of shares of Common Stock available will be subject to adjustment upon changes in capitalization of the Company as provided in Subsection B below.

4. The first sentence of Subsection A of Section 7, "Purchase of Shares," will be deleted in its entirety and substituted with the following:

On the date when a Participant's authorization form for a deduction becomes effective, and on each Offering Date thereafter, he shall be deemed to have been granted an option to purchase as many full shares of Common Stock as he will be able to purchase with the Compensation deductions credited to his Account during the payroll periods within the applicable Offering Period for which the Compensation deductions are made, subject to the limit set forth in Subsection J of Section 15.

5. The first sentence of Section 8, "Time of Purchase," will be deleted in its entirety and substituted with the following:

From time to time, the Committee shall grant to each Participant an option to purchase shares of Common Stock in an amount equal to the number of shares of Common Stock that the accumulated payroll deductions to be credited to his Account during the Offering Period may purchase at the applicable purchase price, subject to the limit set forth in Subsection J of Section 15.

6. Section 15, "Limitations," will be amended by adding at the end thereof the following new Subsection J:

Notwithstanding anything contained herein to the contrary, the maximum number of shares of Common Stock that may be purchased by any Employee during any Purchase Period shall not exceed 7,000, subject to adjustment in the manner described in Subsection B of Section 5. In the event that the maximum number of shares of Common Stock is purchased by an Employee during any Offering Period and cash remains credited to the

Employee's account, such cash shall be delivered as soon as practicable to such Employee.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of November 30, 2000.

Navigant Consulting, Inc.

By: ___________________________________

Its: __________________________________

Exhibit 10.9

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), effective as of May 19, 2000 (the "Effective Date"), is between Navigant Consulting, Inc., a Delaware corporation (the "Company"), and William M. Goodyear (the "Executive").

RECITALS

A. The Executive possesses knowledge, skill and experience advantageous to the Company.

B. The Company desires to employ the Executive as its Chief Executive Officer, and the Executive desires to accept such employment, on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Employment. Subject to the terms and conditions of this Agreement, the Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, for the period stated in Paragraph 2 hereof.

2. Employment Term. The term of the Executive's employment by the Company under this Agreement will begin as of the Effective Date, and will continue, subject to earlier termination as provided in Section 7 hereof, until the first anniversary of the Effective Date, or it will continue to a later date pursuant to an extension or modification of this Agreement by mutual agreement of the parties hereto from time to time (the "Employment Term").

3. Position and Responsibilities. During the period of his employment hereunder, the Executive agrees to serve the Company, and the Company shall employ the Executive, as its Chairman and Chief Executive Officer. During the Employment Term, the Executive shall possess such broad powers and perform such duties and functions as are normally incident to the position of Chairman and Chief Executive Officer with an entity of an equivalent size and nature as the Company.

4. Performance of Duties; Commitment of Time. During the Employment Term the Executive shall discharge the following obligations:

(a) During the period of his employment hereunder and except for illness, reasonable vacation periods, and reasonable leaves of absence, the Executive shall devote his best efforts and a reasonable amount of his business time (which shall be less than full time), attention and skill to the business and affairs of the Company and its subsidiaries, affiliates and divisions, as such business and affairs now exist and as they may be hereafter changed or added to.

(b) The Executive shall report directly and exclusively to the Company's Board of Directors ("the Board"), and he shall perform all of his duties in accordance with such reasonable directions, requests, rules and regulations as are specified by the Board in connection with his employment.

(c) Nothing herein shall preclude the Executive from devoting such reasonable time as required to serve, or to continue to serve, on the boards of directors of, or to hold any other offices or positions in or with respect to, other companies, organizations or entities, provided that (i) the Executive gives prior notice to the Company of such other activities, (ii) such other activities do not violate Paragraph 6 hereof, and (iii) such other activities have no material effect on the time the Executive is required to spend in connection with the services required of him hereunder. The Company acknowledges that the Executive is currently involved with several businesses. The Executive represents and warrants that such involvement will not affect the performance of the Executive's duties as specified in this Paragraph 4.

5. Compensation and Benefits.

(a) Base Salary. During the Employment Term, the Executive will receive an annual salary, payable in monthly or more frequent installments, of $450,000 subject to authorized withholding and other deductions. The annual salary will be reviewed annually and, if appropriate, increased by the Company in the sole discretion of the Compensation Committee of its Board. Such annual salary, as so increased, is hereinafter referred to as the "Base Salary." In no event shall the Executive's Base Salary be reduced below $450,000.

(b) Discretionary Bonus. During the Employment Term, the Executive will be eligible to receive such cash bonus or bonuses as are determined to be appropriate by the Compensation Committee of the Board. Such bonus or bonuses shall be based upon the Compensation Committee's review of the Executive's performance with the first such review occurring no later than the first anniversary of the Effective Date.

(c) Stock Appreciation Rights. The Executive is hereby awarded 200,000 stock appreciation rights, each of which shall entitle the Executive (or in the event of his death his estate) to receive a cash payment at his election at any time after the Effective Date and prior to the fifth anniversary of the Effective Date in an amount equal to the excess of the closing price of a share of the Company's common stock on the date the Executive files written notice of his election with the Company over the closing price of a share of the Company's common stock on the last trading date immediately prior to the Effective Date. In the event of a change in the Company's capital structure or a corporate transaction or similar event affecting the value of the Company's common stock (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), approximate adjustments shall be made to prevent dilution of the value of the stock appreciate rights granted hereunder.

(d) Employee Benefits. During the Employment Term, the Executive will be entitled to receive all benefits of employment generally available to other members of the Company's senior executive management, upon his satisfaction of the eligibility or participation criteria therefor.

(e) Entitlement to Perquisites. For each fiscal year of the Company, or portion thereof, occurring during the Employment Term, the Executive shall be entitled to receive those perquisites from the Company which are generally available to other members of the Company's senior executive management.

(f) Reimbursement of Travel and Entertainment Expenses. The Company shall pay or reimburse the Executive, in accordance with its normal policies and practices, for all reasonable hotel, travel and other expenses incurred by the Executive in connection with the performance of his obligations hereunder.

(g) Legal Fees. The Company shall pay, or reimburse the Executive for, the legal fees and expenses of counsel incurred by the Executive in connection with the preparation, negotiation, execution and delivery of this Agreement, but not in excess of $10,000.

(h) Withholding Taxes. There shall be deducted and withheld from the Base Salary and all other compensation payable to the Executive during or for the Employment Term any and all amounts required to be deducted or withheld under the provisions of any statute, regulation, ordinance or order.

6. Obligations of the Executive During and After Employment.

(a) The Executive acknowledges and agrees that solely by virtue of his employment by, and relationship with, the Company, he will acquire Confidential Information," as defined in subparagraph (vii) below, as well as special knowledge of the Company's relationships with its clients, and that, but for his association with the Company, the Executive will not have had access to said Confidential Information or knowledge of said relationships. The Executive further acknowledges and agrees (1) that the Company has long term relationships with its clients, and that those relationships were developed at great expense and difficulty to the Company over several years of close and continuing involvement; (2) that the Company's relationships with its clients are and will continue to be valuable, special and unique assets of the Company and (3) that the Company has the following protectable interests that are critical to its competitive advantage in the industry and would be of demonstrable value in the hands of a competitor: software designs and application; plans, modeling products and tools (including, but not limited to, COMPASS 2000); processes, distribution networks, and protocols; research bases, systems, and industry benchmarks; and concepts, ideas, marketing strategies, and other matters not generally known to the public. In return for the consideration described in this Agreement, the Executive hereby represents, warrants and covenants as follows:

(i) The Executive has executed and delivered this Agreement as his free and voluntary act, after having determined that the provisions contained herein are of a material benefit to him, and that the duties and obligations imposed on him hereunder are fair and reasonable and will not prevent him from earning a comparable livelihood following the termination of his employment with the Company;

(ii) The Executive has read and fully understands the terms and conditions set forth herein, has had time to reflect on and consider the benefits and consequences of entering into this Agreement, and has had the opportunity to review the terms hereof with an attorney or other representative if he so chooses;

(iii) The execution and delivery of this Agreement by the Executive does not conflict with, or result in a breach of or constitute a default under, any agreement or contract, whether oral or written, to which the Executive is a party or by which the Executive may be bound;

(iv) The Executive agrees that, during the time of his employment with the Company and for a period of one year after termination of the Executive's employment hereunder for any reason whatsoever or for no reason, whether voluntary or involuntary, the Executive will not, except on behalf of the Company, anywhere in North America or in any other place or venue where the Company or any affiliate, subsidiary or division thereof now conducts or operates, or may conduct or operate, its business prior to the date of the Executive's termination of employment;

(A) directly or indirectly, contact, solicit or direct any person, firm, corporation, association, or other entity to contact or solicit, any of the Employer's clients or prospective clients (as they are hereinafter defined) for the purpose of selling or distributing or attempting to sell or

distribute, any products and/or services in competition with the Company to its clients during the term hereof. In addition, the Executive will not disclose the identity of any such clients or prospective clients, or any part thereof, to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever, except to the extent (1) required by any law, regulation or order of any court or regulatory commission, department or agency, provided that the Executive gives prompt notice of such requirement to the Company to enable the Company to seek an appropriate protective order, or (2) such disclosure is in the Executive's reasonable judgment necessary or appropriate to perform properly the Executive's duties under this Agreement, including without limitation in connection with a sale or potential sale of the Company or of all or of any portion of the assets of the Company;

(B) solicit on his own behalf or on behalf of any other person, the services of any person who is an employee of the Company, nor solicit any of the Company's employees to terminate employment with the Company;

(C) become directly or indirectly, an investor, owner or stockholder (excluding investments representing less than 2% of the common stock of a public company), lender, director, consultant, employee, agent or salesperson, whether part-time or full-time, of any business which competes with the Company in the marketing of products or services developed, marketed or provided by the Company; and

(D) act as a consultant, advisor, officer, manager, agent, director, partner, independent contractor, owner, or employee for or on behalf of any of the Company's clients or prospective clients (as hereinafter defined), with respect to any other business activities in which the Company engages during the term hereof;

(v) The scope described above is necessary and reasonable in order to protect the Company in the conduct of its business and that, if the Executive becomes employed by another employer, the Executive hereby consents to and the Company is hereby given permission to disclose the existence of this paragraph 6 to such employer.

(vi) For purposes of this Paragraph 6, "client" shall be defined as any person, firm, corporation, association, or entity that purchased any type of product and/or service from the Company or is or was doing business with the Company within the 12-month period immediately preceding termination of the Executive's employment. For purposes of this Paragraph 6, "prospective client" shall be defined as any person, firm, corporation, association, or entity contacted or solicited in writing by the Company or who contacted the Company within the 12-month period immediately preceding the termination of the Executive's employment for the purpose of having such persons, firms, corporations, associations, or entities become a client of the Company;

(vii) Both during his employment and thereafter he will not, for any reason whatsoever, use for himself or disclose to any person not employed by the Company any "Confidential Information" of the Company acquired by the Executive during his relationship with the Company, except to the extent that such Confidential Information (a) becomes a matter of public record or is published in a newspaper, magazine or other periodical, or in other media, available to the general public, other than as a result of any act or omission of the Executive, (b) is required to be disclosed by law, regulation or order of any court or regulatory commission, department or agency, provided that the Executive gives prompt notice of such requirement to the Company to enable the Company to seek an appropriate protective order, or (c) is in the Executive's reasonable judgment necessary or appropriate to be disclosed in order to perform properly the Executive's duties under this Agreement, including without limitation in connection with a sale or potential sale of the Company or of all or any portion of the assets of the Company. The

Executive further agrees to use Confidential Information solely for the purpose of performing duties with the Company and further agrees not to use Confidential Information for his own private use or commercial purposes. The Executive agrees that "Confidential Information" includes but is not limited to: (1) any financial, engineering, business, planning, operations, services, potential services, products, potential products, technical information and/or know-how, organization charts, formulas, business plans, production, purchasing, marketing, pricing, sales, profit, personnel, customer, broker, supplier, or other lists or information of the Company; (2) any papers, data, records, processes, methods, techniques, systems, models, samples, devices, equipment, compilations, invoices, client lists, or documents of the Company; (3) any confidential information or trade secrets of any third party provided to the Company in confidence or subject to other use or disclosure restrictions or limitations; and (4) any other information, written, oral, or electronic, whether existing now or at some time in the future developments, which pertains to the Company's affairs or interests or with whom or how the Company does business. The Company acknowledges and agrees that Confidential Information does not include information properly in the public domain;

(viii) During and after the term of employment hereunder, the Executive will not remove from the Company's premises any documents, records, files, notebooks, correspondence, reports, video or audio recordings, computer printouts, computer programs, computer software, price lists, microfilm, drawings, or other similar documents containing Confidential Information, including copies thereof, whether prepared by him or others, except as in the Executive's reasonable judgment is necessary or appropriate for the performance of his duties under this Agreement, and in such cases, will promptly return such items to the Company. Upon termination of his employment with the Company, all such items including summaries or copies thereof, then in the Executive's possession, shall be returned to the Company immediately;

(ix) All ideas, inventions, designs, processes, discoveries, enhancements, plans, writings, and other developments or improvements (the "Inventions") conceived by the Executive, alone or with others, during the term of his employment, whether or not during working hours, that are within the scope of the Executive's business operations or that relate to any of the Company's work or projects (including any and all inventions based wholly or in part upon ideas conceived during the Executive's employment with the Company), are the sole and exclusive property of the Company. The Executive further agrees that (1) he will promptly disclose all Inventions to the Company and hereby assigns to the Company all present and future rights he has or may have in those Inventions, including without limitation those relating to patent, copyright, trademark or trade secrets; and (2) all of the Inventions eligible under the copyright laws are "work made for hire." At the request of and without charge to the Company, the Executive will do all things deemed by the Company to be reasonably necessary to perfect title to the Inventions in the Company and to assist in obtaining for the Company such patents, copyrights or other protection as may be provided under law and desired by the Company, including but not limited to executing and signing any and all relevant applications, assignments or other instruments. Notwithstanding the foregoing, pursuant to the Employee Patent Act, Illinois Public Act 83-493, the Company hereby notifies the Executive that the provisions of this subparagraph (ix) shall not apply to any Inventions for which no equipment, supplies, facility or trade secret information of the Company was used and which were developed entirely on the Executive's own time, unless (1) the Invention relates (i) to the business of the Company, or (ii) to actual or demonstrably anticipated research or development of the Company, or (2) the Invention results from any work performed by the Executive for the Company;

(x) All client lists, supplier lists, and client and supplier information are and shall remain the exclusive property of the Company, regardless of whether such information was developed, purchased, acquired, or otherwise obtained by the Company or the Executive. The Executive also agrees to furnish to the Company on demand at any time during his employment, and upon the

termination of his employment, any records, notes, computer printouts, computer programs, computer software, price lists, microfilm, or any other documents related to the Company's business, including originals and copies thereof; and

(xi) The Executive may become aware of "material" nonpublic information relating to clients whose stock is publicly traded. The Executive acknowledges that he is prohibited by law as well as by Company policy from trading in the shares of such clients while in possession of such information or directly or indirectly disclosing such information to any other persons so that they may trade in these shares. For purposes of this subparagraph (xi), "material" information may include any information, positive or negative, which might be of significance to an investor in determining whether to purchase, sell or hold the stock of publicly traded clients. Information may be significant for this purpose even if it would not alone determine the investor's decision. Examples include a potential business acquisition, internal financial information that departs in any way from what the market would expect, the acquisition or loss of a major contract, or an important financing transaction.

(b) Remedy for Breach. The Executive agrees that in the event of a material breach or threatened material breach of any of the covenants contained in this Paragraph 6, the Company will have the right and remedy to have such covenants specifically enforced by any court having jurisdiction, it being acknowledged and agreed that any material breach of any of the covenants will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(c) Blue-Penciling. The Executive acknowledges and agrees that the noncompetition and nonsolicitation provisions contained herein are reasonable in geographic, temporal and subject matter scope and in all other respects, and do not impose limitations greater than are necessary to protect the goodwill, Confidential Information and other business interests of the Company. Nevertheless, if any court determines that any of said noncompetition and other restrictive covenants and agreements, or any part thereof, is unenforceable because of the duration or geographic scope of such provision, such court will have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision will then be enforceable to the maximum extent permitted by applicable law.

7. Termination of Employment.

(a) Termination as a Result of Death or Disability. The Executive's employment with the Company shall terminate automatically upon the Executive's death during the Employment Term. If the Disability of the Executive has occurred during the Employment Term (pursuant to the definition of "Disability" set forth below), the Company may give to the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Company (the "Disability Effective Date"), provided that, within the 30 days after receipt of notice, the Executive shall not have returned to substantial performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company for 120 consecutive days, or a total of 180 days in any 12-month period, as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician jointly selected by the Company and the Executive or the Executive's legal representative, or if the parties cannot agree on the selection of such physician then each shall choose a physician and the two physicians shall jointly select a physician to make such binding determination.

(b) Termination by the Company for Cause. The Company may terminate the Executive's employment during the Employment Term for Cause at any time upon written notice from the

Board specifying such Cause and the expiration of the cure period specified below, and thereafter, the Company's obligations hereunder (other than the obligation to pay any accrued salary or benefit) shall cease and terminate; provided, however, that such written notice shall not be delivered until after the Board shall have given the Executive written notice specifying the conduct alleged to have constituted such Cause. The Executive shall have 30 days to cure the matters specified in the notice delivered by the Board (to the extent that such matters are curable). For purposes of this Agreement, "Cause" shall mean the Executive's willful misconduct, dishonesty or other willful actions (or willful failures to act) which are materially and demonstrably injurious to the Company, or a material breach by the Executive of one or more terms of this Agreement, which shall include the Executive's habitual neglect of the material duties required of him under this Agreement. For purposes of this Section, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the Board by the vote of a majority of the entire Board at a meeting of the Board duly called and held for such purpose, at which the Executive shall have an opportunity to be present and to be heard, finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described above, and specifying the particulars thereof in detail.

(c) Termination by the Executive for Good Reason. The Executive's employment with the Company may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following actions, if taken without the express written consent of the Executive: (1) any material change by the Company in the Executive's title, functions, duties, or responsibilities, which changes would cause the Executive's position with the Company to become of significantly less responsibility, importance or scope as compared to the position and attributes that applied to the Executive as of the Effective Date; (2) any material failure by the Company to comply with any of the provisions of this Agreement; or (3) the requirement made by the Company that the Executive change his manner of performing his responsibilities so as to require a change in his residence.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" means a written notice which (1) indicates the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (3) if the Date of Termination (as defined in Section (e) hereof) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (1) if the Executive's employment is terminated by the Company for Cause, the expiration of the cure period specified in Paragraph 7(b) hereof, (2) if the Executive's employment is terminated by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (3) if the Executive's employment is terminated by reason of death or Disability, the date

of death of the Executive or the Disability Effective Date, as the case may be, and (4) if the Executive's employment is terminated by the Company other than for Cause or Disability, or by the Executive without Good Reason, 30 days after the date of receipt by the non-terminating party of a written notice of termination or such shorter time as the Board thereafter specifies in a written notice to the Executive.

8. Obligations of the Company upon Termination of Employment.

(a) Termination by the Company Other Than for Cause, Death or Disability or by the Executive for Good Reason. If during the Employment Term (i) the Company terminates the Executive's employment other than for Cause, death or Disability, or (ii) the Executive terminates his employment for Good Reason, then in any such case the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination (or, in the event any amounts due cannot be determined within this period, as soon thereafter as is practicable) an amount equal to two times the Executive's then current Base Salary plus most recent bonus. The provisions of this Subparagraph 8(a) shall not affect any rights of the Executive under the Company's benefit plans or programs or under any bonus arrangement agreed to by the Executive and the Company.

(b) Termination as a Result of the Executive's Disability or Death. If during the Employment Term the Executive's employment is terminated by reason of the Executive's Disability or death, then the Company shall pay to the Executive or the Executive's legal representatives in a lump sum in cash within 30 days after the Date of Termination (or, in the event any amounts due cannot be determined within this period, as soon thereafter as is practicable) an amount equal to one times the Executive's then current Base Salary. The provisions of this Subparagraph 8(b) shall not affect any rights of the Executive's heirs, administrators, executors, legatees, beneficiaries or assigns under the Company's benefit plans or programs or under any bonus arrangement agreed to by the Executive and the Company.

(c) Termination by the Company for Cause or by the Executive other than for Good Reason. If during the Employment Term either (i) the Executive's employment is terminated by the Company for Cause or (ii) the Executive voluntarily terminates his employment, excluding termination by him for Good Reason, then the Company shall have no further obligation to the Executive other than the obligation to pay to the Executive (A) his Base Salary through the Date of Termination and (B) any other compensation and benefits due to the Executive in accordance with this Agreement, in each case to the extent theretofore unpaid.

(d) Change of Control. If the Executive's employment is terminated for any reason (including by resignation of Executive) following a Change of Control of the Company, or is terminated within twelve months preceding a Change of Control of the Company for any reason other than by the Company for Cause or by the Executive other than for Good Reason, then the Company shall pay to the Executive or the Executive's legal representatives in a lump sum in cash on the date of the Change of Control an amount equal to 334% of the Executive's Base Salary; provided that, the payment under this paragraph (d) shall be in lieu of any payment under paragraphs (a), (b) or (c) above, and if the Executive has already received any such payment, the payment under this paragraph (d) shall be reduced, but not below zero, by the amount of such other payment. For the purpose of this Agreement, a "Change of Control" shall have been deemed to have occurred if at any time during the Employment Term:

(i) the Company sells or otherwise disposes of a material interest in the Company or its businesses or all or a material portion of its assets in one or more transactions occurring after the Effective Date, including without limitation a sale or disposition in one or more transactions of assets of the Company and its subsidiaries having a fair market value of at least 60% of the fair market value of the total assets of the Company and its subsidiaries on the Effective Date on a consolidated basis, or the Company sells or otherwise disposes of in one or more transactions a majority of the equity ownership or voting control of any corporation or corporations or other entities holding all or a material portion of the assets of the Company, or

(ii) acquisition by (A) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") or (B) two or more Persons of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of either (1) the shares of the Company's common stock outstanding immediately after such acquisition (the "Company Common Stock") or (2) the combined voting power of the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately after such acquisition (the "Company Voting Securities"); provided, however, that for purposes of this subsection (i) the following acquisitions of securities shall not constitute or be included when determining whether there has been a Change of Control: (1) any acquisition by the Company, or (2) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(iii) consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of the assets of another corporation by the Company (in each case, a "Business Combination"), unless, following any such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Company Common Stock and Company Voting Securities outstanding immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Company Common Stock and Company Voting Securities outstanding, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or related trust of the Company or any corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

9. Golden Parachute Provision.

(a) In the event that any amount or benefits made or provided to Executive above and under all other plans and programs of the Company (the "Covered Payments") is determined to constitute a Parachute Payment, as such term is defined in Section 280G(b)(2) of the Internal Revenue Code, the Company shall pay to Executive, prior to the time any Internal Revenue Code Section 4999 excise tax ("Excise Tax") is payable with respect to any such Covered Payment, an additional amount which is equal to (i) the Excise Tax on the Covered Payment plus (ii) the aggregate amount of any interest, penalties, fines or additions to any tax which are imposed in connection with the imposition of such Excise Tax, plus (iii) all income, excise and other applicable taxes imposed on the Executive under the laws of any Federal, state or local government or taxing authority by reason of the payments required under clauses (i) and (ii) and this clause (iii).

(b) The determination of whether the Covered Payment constitutes a Parachute Payment and, if so, the amount to be paid to Executive and the time of payment pursuant to this paragraph 20 shall be made by an independent auditor (the "Auditor") jointly selected by the Company and Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm which has not, during the two years preceding the date of its selection, acted in any way on behalf of the Company or any of its Affiliates. If Executive and the Company cannot agree on the Firm to serve as the Auditor, then Executive and the Company shall each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the Auditor.

(c) In the event that upon any audit by the Internal Revenue Service, or by a state of local taxing authority, of the Covered Payment or the Gross-Up payments, a change is finally determined to be required in the amount of taxes paid by the Executive, appropriate adjustments will be made under this Agreement such that the net amount which is payable to Executive after taking into account the provisions of section 4999 of the Code will reflect the intent of the parties as expressed in subparagraph (a) above, in the manner determined by the Auditor.

10. Indemnification.

(a) The Company agrees that if the Executive is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is the Executive's alleged action in an official capacity while serving as a director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent legally permitted or authorized by the Company's certificate of incorporation or bylaws or resolutions of the Company's Board of Directors or, if greater, by the laws of the State of Delaware, against all cost, expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or other liabilities or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if he has ceased to be a director, member, employee or agent of the Company or other entity, with respect to acts or omissions which occurred prior to his cessation of employment with the Company, and shall inure to the benefit of the Executive's heirs, executors and administrators. The Company shall advance to the Executive all reasonable costs and expenses incurred by him in connection with a Proceeding within 20 calendar days after receipt by the Company of a written request for such advance. Such request shall include an undertaking by

the Executive to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

(b) Neither the failure of the Company (including its board of directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by the Executive under Section 4(a) above that indemnification of the Executive is proper because he has met the applicable standard of conduct, nor a determination by the Company (including its board of directors, independent legal counsel or stockholders) that the Executive has not met such applicable standard of conduct, shall create a presumption that the Executive has not met the applicable standard of conduct.

(c) The Company agrees to continue during the Employment Term and thereafter and maintain a directors' and officers' liability insurance policy covering the Executive which is no less favorable to the Executive than the Company's policy in effect on the Effective Date.

11. Governing Law; Arbitration; Jurisdiction; Attorneys' Fees.

This Agreement is made and entered into and will be governed by and interpreted in accordance with the laws of the State of Illinois. The Company and the Executive agree that any dispute regarding this Agreement, that cannot be resolved amicably by the parties, will be submitted to arbitration within 60 days of the date the dispute arose and will be resolved in accordance with the rules of the American Arbitration Association for expedited cases then in effect. The arbitrator will be mutually selected by the parties or in the event the parties cannot mutually agree, then appointed by the American Arbitration Association. Any arbitration will be held in Chicago, Illinois and the arbitrator will apply Illinois law. Judgment upon any award rendered by the arbitrator will be final and binding and may be entered in any court of competent jurisdiction. The arbitrator will not be empowered to award damages in excess of compensatory damages and each party hereby irrevocably waives any damages in excess of compensatory damages. Notwithstanding the foregoing, the Company will have the absolute right to seek equitable remedies in any state court of competent jurisdiction in the State of Illinois, County of Cook, or in a United States District Court in the State of Illinois pursuant to Paragraph 6(b) hereof. By Executive's execution and delivery of this Agreement, the Executive irrevocably submits to and accepts the exclusive jurisdiction of each of such courts and waives any objection (including any objection to venue or any objection based upon the grounds of forum non conveniens) which might be asserted against the bringing of any such action, suit or other legal proceeding in such courts. The Executive shall be entitled to recover from the Company reasonable attorneys' fees, costs and expenses concurred by him in connection with any dispute under this Agreement or otherwise in connection with his employment or service as a director of the Company. Payments received under the preceding sentence shall be paid by its company to the Executive within ten days after the Executive submits documentation evidencing the incurrence of such fees, costs and expenses.

12. Miscellaneous.

(a) Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all previous agreements, written or oral, including restrictive covenants, regarding the subject matter hereof between the parties hereto. This Agreement shall not be modified or amended, except by a written agreement signed by the parties hereto.

(b) Notices. All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to

have been given if delivered by hand, sent by generally recognized overnight courier service, telex or telecopy with confirmation of receipt, or mail:

(i) to the Company:

Navigant Consulting, Inc.
Attn: General Counsel
615 N. Wabash
Chicago, Illinois 60611

with a copy to:

Winston & Strawn
Attention: Gov. James R. Thompson
35 West Wacker Drive
Chicago, IL 60601

(ii) to the Executive:

William M. Goodyear
1500 North Lake Shore Drive
Apt. 9C
Chicago, Illinois 60611

With a copy to:

Mayer, Brown & Platt
Attention: Herbert W. Krueger
190 S. LaSalle Street
Chicago, Illinois 60603

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications will be effective when actually received by the addressee.

(c) Successors. This Agreement is personal to the Executive and without the prior written consent of the Company it shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement will inure to the benefit of and be enforceable against the Executive's legal representatives. This Agreement will inure to the benefit of and be binding upon the Company and its successors and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, share exchange or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. For purposes of this Agreement, the term "Company" means the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(d) Severability. If any provision of this Agreement is held invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision will thereupon be deemed modified only to the extent necessary to render such provision valid, or not applicable to given circumstances, or excised from this Agreement, as the situation may require, and this Agreement will be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be.

Should this Agreement, or any one or more of the provisions hereof, be held to be invalid, illegal or unenforceable within any governmental jurisdiction or subdivision thereof, the Agreement or any such provision or provisions will not as a consequence thereof be deemed to be invalid, illegal or unenforceable in any other governmental jurisdiction or subdivision thereof.

(e) Waiver. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, will not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) Counterparts. This Agreement may be executed in two counterparts, each of which will be deemed an original and both of which taken together will constitute a single instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

____
William M. Goodyear

Navigant Consulting, Inc.

By ________________________________
Its _________________________________

AMENDMENT NUMBER 1 TO EMPLOYMENT AGREEMENT

AMENDMENT NUMBER 1 ("This Amendment") dated as of May 19, 2000 to EMPLOYMENT AGREEMENT dated as of May 19, 2000 (the "Original Agreement"), by and between Navigant Consulting, Inc., a Delaware Corporation ("NCI") and William M. Goodyear (the "Executive"):

RECITALS

Both parties wish to amend the Original Agreement, to provide that the Stock Appreciation Rights awarded to the Executive shall vest six months after the Effective Date in accordance with the Company's Long-Term Incentive Plan, as set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency is hereby acknowledged, the parties hereto agree as follows:

1. Section 5(c) of the Original Agreement is hereby deleted and the following is hereby inserted in lieu therof:

    (c) Stock Appreciation Rights. The Executive is hereby awarded 200,000 stock appreciation rights subject to the terms and conditions of the Company's Long-Term Incentive Plan, each of which will vest on November 20, 2000, and each of which shall entitle the Executive (or in the event of his death his estate) to receive a cash payment at his election at any time after November 20, 2000 and prior to the fifth anniversary of the Effective Date in an amount equal to the excess of the closing price of a share of the Company's common stock on the date the Executive files written notice of his election with the Company over the closing price of a share of the Company's common stock on the last trading date immediately prior to the Effective Date. In the event of a change in the Company's capital structure or a corporate transaction or similar event affecting the value of the Company's common stock (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), appropriate adjustments shall be made to prevent dilution of the value of the stock appreciation rights granted hereunder.

2. Except as expressly set forth herein, this Amendment does not constitute a waiver or modification of any provision of the Original Agreement. Except as expressly amended hereby, the Original Agreement shall continue in full force and effect in accordance with the provisions thereof on the date hereof.

3. This Amendment may be executed in counterparts, each of which when so executed and delivered shall constitute an original and all together shall constitute one agreement.

4. This Amendment shall be construed and enforced in accordance with and shall be governed by the laws of the State of Illinois, without giving effect to its conflict of laws provisions.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

NAVIGANT CONSULTING, INC.

By:

Its: ____________________

William M. Goodyear

Exhibit 10.10

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), dated as of May 19, 2000 (the "Effective Date"), is between Navigant Consulting, Inc., a Delaware corporation (the "Company"), and Ben W. Perks (the "Executive").

RECITALS

A. The Company desires to obtain the benefits of the Executive's knowledge, skills, and experience by employing the Executive as its Executive Vice President and Chief Financial Officer upon the terms and subject to the conditions of this Agreement.

B. The Executive desires to be employed by the Company in such positions upon the terms and subject to the conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Employment. Subject to the terms and conditions of this Agreement, the Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, for the period stated in Paragraph 2 hereof.

2. Employment Term. The term of the Executive's employment by the Company under this Agreement will begin on July 4, 2000, and will continue, subject to earlier termination as provided in Paragraph 7 hereof, for a rolling two-year period, such that the remainder of the term shall always be two full years, subject to either party being able to reduce or limit the term, by written notice provided as set forth in Paragraph 11(b) hereof (the "Employment Term").

3. Position and Responsibilities. During the Employment Term, the Executive agrees to serve the Company, and the Company shall employ the Executive, as its Executive Vice President and Chief Financial Officer. During the Employment Term, the Executive shall possess such broad powers and perform such duties and functions as are normally incident to the positions of Executive Vice President and Chief Financial Officer with an entity of an equivalent size and nature as the Company.

4. Performance of Duties; Commitment of Time. During the Employment Term the Executive shall discharge the following obligations:

(a) Except for illness, reasonable vacation periods, and reasonable leaves of absence, the Executive shall, subject to Paragraph 4(c) hereof, devote his best efforts and full business time, attention and skills to the business and affairs of the Company and its subsidiaries,

affiliates and divisions, as such business and affairs now exist and as they may be hereafter changed or added to.

(b) The Executive shall report directly and exclusively to the Chairman of the Company's Board of Directors (the "Board"), and he shall perform all of his duties in accordance with such reasonable directions, requests, rules and regulations as are specified by the Chairman in connection with his employment.

(c) Nothing herein shall preclude the Executive from devoting such reasonable time as required to serve, or to continue to serve, on the boards of directors of, or to hold any other offices or positions in or with respect to, other companies, organizations or entities, provided that (i) the Executive gives prior notice to the Company of such other activities, (ii) that such other activities do not violate Paragraph 6 hereof, and (iii) such other activities have no material effect on the time the Executive is required to spend in connection with the services required of him hereunder.

5. Compensation and Benefits.

(a) Base Salary. During the Employment Term, the Executive will receive an annual salary, payable in monthly or more frequent installments, of $350,000 subject to authorized withholding and other deductions. The annual salary will be reviewed annually and, if appropriate, increased by the Company in the sole discretion of the Compensation Committee of its Board. Such annual salary, as so increased, is hereinafter referred to as the "Base Salary." In no event shall the Executive's Base Salary be reduced below $350,000.

(b) Annual Bonus. During the Employment Term, the Executive will be eligible to receive an annual cash bonus based upon the Executive's and/or the Company's achievement of annual performance goals or objectives. The bonus goals and objectives shall be determined by the Chairman, with the concurrence of the Executive and the Compensation and Executive Committees of the Board. The Executive shall have a maximum bonus opportunity of 100% of Base Salary (the "Maximum Bonus"), with a target bonus equal to 65% of the Base Salary (the "Target Bonus"). The Executive shall receive a prorated annual bonus for the 2000 calendar year calculated at the Target Bonus rate, which prorated annual bonus shall equal 65% of the Executive's six months of Base Salary to be received in 2000 (i.e. 65% of $175,000); provided, however, that any prorated bonus paid for the 2000 calendar year in accordance with this Paragraph 5(b) shall satisfy the Company's obligation, if any, for payment of a prorated bonus payment pursuant to Paragraph 8(a) or (b) hereof for the calendar year of the Executive's termination of employment, in the event the Executive's employment is terminated on or before December 31, 2000. Subject to the preceding sentence, the Compensation Committee shall have the sole discretion to determine whether the bonus goals and objectives have been met.

(c) Signing Bonus. As of the Effective Date, or as soon thereafter as is practicable, the Company shall pay the Executive a cash signing bonus of $90,000. In addition, as of the Effective Date the Company shall grant the Executive 10,000 shares of restricted common stock of the Company pursuant to the Company's Long-Term Incentive Plan, and the terms and conditions of such restricted share award shall be set forth in an award agreement between the

Company and the Executive, which terms shall include that such shares of restricted common stock shall vest 50% on the January 4, 2001 and the remaining 50% shall vest on July 4, 2001; provided, however, all of such shares shall become fully vested and nonforfeitable in the event of a Change of Control prior to the Executive's termination of employment, or termination of Executive's employment by the Company without Cause or by the Executive for Good Reason.

(d) Long-Term Incentive Compensation. (i) As of the Effective Date, the Company shall grant the Executive an option (the "Option") to purchase 150,000 shares of the Company's common stock, par value $0.001 per share (the "Common Stock"). The purchase price per share will be the closing price of the Common Stock on the date of grant (the "Exercise Price"). The Option will be granted in accordance with the Company's Long-Term Incentive Plan and will be subject to the terms and conditions contained in the Stock Award Agreement to be entered into between the Company and the Executive, which terms shall include: (i) the Option shall have a term equal to the lesser of ten years measured from the date of grant or the longest period permitted by the Company's Long-Term Incentive Plan after the date of the termination of the Executive's employment with the Company; (ii) the greatest portion of the Option shares allowable under the Company's Long-Term Incentive Plan shall be issued as incentive stock options;

(iii) the Option shares shall vest and become exercisable as follows: 50% shall be fully vested as of July 4, 2000; an additional 25% shall be fully vested on January 4, 2001; and the remaining 25% shall vest on July 4, 2001; (iv) in the event of a Change of Control prior to the Executive's termination of employment, or the termination of Executive's employment by the Company without Cause (as hereinafter defined) or by the Executive for Good Reason (as hereinafter defined) the Executive shall immediately become fully vested in his entire Option; and (v) any vested options shall remain exercisable following the Executive's termination of employment, other than for Cause, for the longer of (i) the greatest length of time permissible under the Company's Long-Term Incentive Plan, as such plan exists on the Effective Date or (ii) as it may be amended hereafter; provided, however, such exercise period shall not be less than 90 days nor more than 60 months following the Executive's termination of employment.

(e) Employee Benefits. During the Employment Term, the Executive will be entitled to receive all benefits of employment generally available to other members of the Company's senior executive management, upon his satisfaction of the eligibility or participation criteria therefor.

(f) Reimbursement of Business Expenses. The Company shall pay or reimburse the Executive, in accordance with its normal policies and practices, for all reasonable business expenses incurred by the Executive in connection with the performance of his obligations hereunder. The Executive shall produce accounts and vouchers or other reasonable evidence of expenses incurred or payments made by the Executive, all in accordance with the Company's regular procedures in effect from time to time and in form suitable to establish the validity and deductibility of such expenses for tax purposes.

(g) Entitlement to Perquisites. During the Employment Term, the Executive shall be entitled to receive those perquisites from the Company which are generally available to other members of the Company's senior management, including, without limitation, an automobile

allowance of $1,000 per month, reimbursement of parking fees, and reimbursement of dues and expenses associated with one downtown luncheon club.

(h) Legal Fees. The Company shall pay, or reimburse the Executive for, the legal fees and expenses of counsel to the Executive in connection with the preparation, negotiation, execution and delivery of this Agreement, up to a maximum of $10,000.

(i) Withholding Taxes. There shall be deducted and withheld from the Base Salary and all other compensation payable to the Executive during or for the Employment Term any and all amounts required to be deducted or withheld under the provisions of any statute, regulation, ordinance or order.

6. Obligations of the Executive During and After Employment.

(a) The Executive acknowledges and agrees that solely by virtue of his employment by, and relationship with, the Company, he will acquire "Confidential Information," as defined in subparagraph (vii) below, as well as special knowledge of the Company's relationships with its clients, and that, but for his association with the Company, the Executive will not have had access to said Confidential Information or knowledge of said relationships. The Executive further acknowledges and agrees (1) that the Company has long term relationships with its clients, and that those relationships were developed at great expense and difficulty to the Company over several years of close and continuing involvement; (2) that the Company's relationships with its clients are and will continue to be valuable, special and unique assets of the Company and (3) that the Company has the following protectable interests that are critical to its competitive advantage in the industry and would be of demonstrable value in the hands of a competitor: software designs and application; plans, modeling products and tools (including, but not limited to, COMPPASS 2000); processes, distribution networks, and protocols; research bases, systems, and industry benchmarks; and concepts, ideas, marketing strategies, and other matters not generally known to the public. In return for the consideration described in this Agreement, and as a condition precedent both to the grant of the restricted shares and the Option under the Company's Long-Term Incentive Plan and the Company employing the Executive, and as an inducement to the Company to do so, the Executive hereby represents, warrants and covenants as follows:

(i) The Executive has executed and delivered this Agreement as his free and voluntary act, after having determined that the provisions contained herein are of a material benefit to him, and that the duties and obligations imposed on him hereunder are fair and reasonable and will not prevent him from earning a comparable livelihood following the termination of his employment with the Company;

(ii) The Executive has read and fully understands the terms and conditions set forth herein, has had time to reflect on and consider the benefits and consequences of entering into this Agreement, and has had the opportunity to review the terms hereof with an attorney or other representative if he so chooses;

(iii) The execution and delivery of this Agreement by the Executive does not conflict with, or result in a breach of or constitute a default under, any agreement or contract, whether oral or written, to which the Executive is a party or by which the Executive may be bound;

(iv) The Executive agrees that, during the time of his employment with the Company and for a period of one year after termination of the Executive's employment hereunder for any reason whatsoever or for no reason, whether voluntary or involuntary, the Executive will not, except on behalf of the Company, anywhere in North America or in any other place or venue where the Company or any affiliate, subsidiary or division thereof now conducts or operates, or may conduct or operate, its business prior to the date of the Executive's termination of employment:

(A) directly or indirectly, contact, solicit or direct any person, firm, corporation, association, or other entity to contact or solicit, any of the Employer's clients or prospective clients (as they are hereinafter defined) for the purpose of selling or distributing or attempting to sell or distribute, any products and/or services in competition with the Company to its clients during the term hereof. In addition, the Executive will not disclose the identity of any such clients or prospective clients, or any part thereof, to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever, except to the extent (1) required by any law, regulation or order of any court or regulatory commission, department or agency, provided that the Executive gives prompt notice of such requirement to the Company to enable the Company to seek an appropriate protective order, or (2) such disclosure is necessary to perform properly the Executive's duties under this Agreement;

(B) solicit on his own behalf or on behalf of any other person, the services of any person who is an employee of the Company, nor solicit any of the Company's employees to terminate employment with the Company;

(C) become directly or indirectly, an investor, owner or stockholder (excluding investments representing less than 2% of the common stock of a public company), lender, director, consultant, employee, agent or salesperson, whether part-time or full-time, of any business which competes with the Company in the marketing of products or services developed, marketed or provided by the Company; and

(D) act as a consultant, advisor, officer, manager, agent, director, partner, independent contractor, owner, or employee for or on behalf of any of the Company's clients or prospective clients (as hereinafter defined), with respect to any other business activities in which the Company engages during the term hereof;

(v) The scope described above is necessary and reasonable in order to protect the Company in the conduct of its business and that, if the Executive becomes employed by another employer, he shall be required to disclose the existence of this Paragraph 6 to such employer and the Executive hereby consents to and the Company is hereby given permission to disclose the existence of this Paragraph 6 to such employer.

(vi) For purposes of this Paragraph 6, "client" shall be defined as any person, firm, corporation, association, or entity that purchased any type of product and/or service from the Company or is or was doing business with the Company within the 12-month period immediately preceding termination of the Executive's employment. For purposes of this Paragraph 6, "prospective client" shall be defined as any person, firm, corporation, association, or entity contacted or solicited in writing by the Company or who contacted the Company within the 12-month period immediately preceding the termination of the Executive's employment for the purpose of having such persons, firms, corporations, associations, or entities become a client of the Company;

(vii) Both during his employment and thereafter he will not, for any reason whatsoever, use for himself or disclose to any person not employed by the Company any "Confidential Information" of the Company acquired by the Executive during his relationship with the Company, except to the extent that such Confidential Information (a) becomes a matter of public record or is published in a newspaper, magazine or other periodical, or in other media, available to the general public, other than as a result of any act or omission of the Executive, (b) is required to be disclosed by law, regulation or order of any court or regulatory commission, department or agency, provided that the Executive gives prompt notice of such requirement to the Company to enable the Company to seek an appropriate protective order, or (c) is required to be disclosed in order to perform properly the Executive's duties under this Agreement. The Executive further agrees to use Confidential Information solely for the purpose of performing duties with the Company and further agrees not to use Confidential Information for his own private use or commercial purposes. The Executive agrees that "Confidential Information" includes but is not limited to: (1) any financial, engineering, business, planning, operations, services, potential services, products, potential products, technical information and/or know-how, organization charts, formulas, business plans, production, purchasing, marketing, pricing, sales, profit, personnel, customer, broker, supplier, or other lists or information of the Company; (2) any papers, data, records, processes, methods, techniques, systems, models, samples, devices, equipment, compilations, invoices, client lists, or documents of the Company; (3) any confidential information or trade secrets of any third party provided to the Company in confidence or subject to other use or disclosure restrictions or limitations; and (4) any other information, written, oral, or electronic, whether existing now or at some time in the future, and whether pertaining to current or future developments, which pertains to the Company's affairs or interests or with whom or how the Company does business. The Company acknowledges and agrees that Confidential Information does not include information properly in the public domain;

(viii) During the Employment Term, the Executive will not remove from the Company's premises any documents, records, files, notebooks, correspondence, reports, video or audio recordings, computer printouts, computer programs, computer software, price lists, microfilm, drawings, or other similar documents containing Confidential Information, including copies thereof, whether prepared by him or others, except as his duties under this Agreement shall require, and in such cases, will promptly return such items to the Company. Upon termination of his employment with the Company, all such items including summaries or copies thereof, then in the Executive's possession, shall be returned to the Company immediately;

(ix) All ideas, inventions, designs, processes, discoveries, enhancements, plans, writings, and other developments or improvements (the "Inventions") conceived by the Executive, alone or with others, during the term of his employment, whether or not during working hours, that are within the scope of the Executive's business operations or that relate to any of the Company's work or projects (including any and all inventions based wholly or in part upon ideas conceived during the Executive's employment with the Company), are the sole and exclusive property of the Company. The Executive further agrees that (1) he will promptly disclose all Inventions to the Company and hereby assigns to the Company all present and future rights he has or may have in those Inventions, including without limitation those relating to patent, copyright, trademark or trade secrets; and (2) all of the Inventions eligible under the copyright laws are "work made for hire." At the request of and without charge to the Company, the Executive will do all things deemed by the Company to be reasonably necessary to perfect title to the Inventions in the Company and to assist in obtaining for the Company such patents, copyrights or other protection as may be provided under law and desired by the Company, including but not limited to executing and signing any and all relevant applications, assignments or other instruments. Notwithstanding the foregoing, pursuant to the Employee Patent Act, Illinois Public Act 83-493, the Company hereby notifies the Executive that the provisions of this subparagraph (ix) shall not apply to any Inventions for which no equipment, supplies, facility or trade secret information of the Company was used and which were developed entirely on the Executive's own time, unless (1) the Invention relates (i) to the business of the Company, or (ii) to actual or demonstrably anticipated research or development of the Company, or (2) the Invention results from any work performed by the Executive for the Company;

(x) All client lists, supplier lists, and client and supplier information are and shall remain the exclusive property of the Company, regardless of whether such information was developed, purchased, acquired, or otherwise obtained by the Company or the Executive. The Executive also agrees to furnish to the Company on demand at any time during his employment, and upon the termination of his employment, any records, notes, computer printouts, computer programs, computer software, price lists, microfilm, or any other documents related to the Company's business, including originals and copies thereof; and

(xi) The Executive may become aware of "material" nonpublic information relating to clients whose stock is publicly traded. The Executive acknowledges that he is prohibited by law as well as by Company policy from trading in the shares of such clients while in possession of such information or directly or indirectly disclosing such information to any other persons so that they may trade in these shares. For purposes of this subparagraph (xi), "material" information may include any information, positive or negative, which might be of significance to an investor in determining whether to purchase, sell or hold the stock of publicly traded clients. Information may be significant for this purpose even if it would not alone determine the investor's decision. Examples include a potential business acquisition, internal financial information that departs in any way from what the market would expect, the acquisition or loss of a major contract, or an important financing transaction.

(xii) Notwithstanding Paragraph 6(a)(iv) hereof, if the Executive desires to contact, solicit, or direct any person, firm, corporation, association, or other entity to contact or solicit any person or entity for the purpose of selling or distributing or attempting to sell or

distribute any products and/or services during the one-year period identified in Paragraph 6(a)(iv), and is uncertain whether such contact or solicitation might violate Subparagraph 6(a)(iv)(A), the Executive may contact the Chief Executive Officer of the Company in writing by facsimile or reputable courier requesting approval of such contact or solicitation on behalf of the Company. The Company agrees to respond in writing to any such request for approval as soon as reasonably practicable, but in no event later than fourteen (14) days from the date on which such request was sent or mailed. The Company further agrees to not unreasonably withhold any such approval. If the Executive receives no written response from the Company within the aforementioned fourteen (14) day period, the approval of the Company with respect to such contact or solicitation for which approval was requested shall be deemed to have been given and the Company shall have no right to assert any claim against the Executive under Subparagraph 6(a)(iv) in connection with such contact or solicitation. The Company further agrees that any request for approval submitted by the Executive hereunder shall be kept strictly confidential and only employees of the Company directly involved in such approval process shall be privy to the information contained in any such request for approval.

(b) Remedy for Breach. The Executive agrees that in the event of a material breach or threatened material breach of any of the covenants contained in this Paragraph 6, the Company will have the right and remedy to have such covenants specifically enforced by any court having jurisdiction, it being acknowledged and agreed that any material breach of any of the covenants will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(c) Blue-Penciling. The Executive acknowledges and agrees that the noncompetition and nonsolicitation provisions contained herein are reasonable and valid in geographic, temporal and subject matter scope and in all other respects, and do not impose limitations greater than are necessary to protect the goodwill, Confidential Information and other business interests of the Company. Nevertheless, if any court determines that any of said noncompetition and other restrictive covenants and agreements, or any part thereof, is unenforceable because of the duration or geographic scope of such provision, such court will have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision will then be enforceable to the maximum extent permitted by applicable law.

7. Termination of Employment.

(a) Termination as a Result of Death or Disability. The Executive's employment with the Company shall terminate automatically upon the Executive's death during the Employment Term. If the Disability of the Executive has occurred during the Employment Term (pursuant to the definition of "Disability" set forth below), the Company may give to the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Company (the "Disability Effective Date"), provided that, within the 30 days after receipt of notice, the Executive shall not have returned to substantial performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company for 120 consecutive days, or a total of 180 days in any 12-month period, as a result of incapacity due to mental or physical illness

which is determined to be total and permanent by a physician jointly selected by the Company and the Executive or the Executive's legal representative, or, if the parties cannot agree on the selection of such physician then each shall choose a physician and the two physicians shall jointly select a physician to make such binding determination.

(b) Termination by the Company for Cause. The Company may terminate the Executive's employment during the Employment Term for Cause at any time upon written notice from the Board specifying such Cause and the expiration of the cure period specified below, and thereafter, the Company's obligations hereunder (other than the obligation to pay any accrued salary or benefit) shall cease and terminate; provided, however, that such written notice shall not be delivered until after the Board shall have given the Executive written notice specifying the conduct alleged to have constituted such Cause. The Executive shall have 30 days to cure the matters specified in the notice delivered by the Board (to the extent that such matters are curable). For purposes of this Agreement, "Cause" shall mean the Executive's willful misconduct, dishonesty or other willful actions (or willful failures to act) which are materially and demonstrably injurious to the Company, or a material breach by the Executive of one or more terms of this Agreement, which shall include the Executive's habitual neglect of the material duties required of him under this Agreement. For purposes of this Section, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the Board by the vote of a majority of the entire Board at a meeting of the Board duly called and held for such purpose, at which the Executive shall have an opportunity to be present and to be heard, finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described above, and specifying the particulars thereof in detail.

(c) Termination by the Executive for Good Reason. The Executive's employment with the Company may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following actions, if taken without the express written consent of the Executive: (1) any material change by the Company in the Executive's title, functions, duties, or responsibilities, which changes would cause the Executive's position with the Company to become of significantly less responsibility, importance or scope as compared to the position and attributes that applied to the Executive as of the Effective Date; (2) any material failure by the Company to comply with any of the provisions of the Agreement; (3) the requirement made by the Company that the Executive change his manner of performing his responsibilities so as to require a change of his residence, or (4) termination by the Executive, for any reason, within 6 months following a Change of Control.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" means a written notice which (1)

indicates the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (3) if the Date of Termination (as defined in Section (e) hereof) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (1) if the Executive's employment is terminated by the Company for Cause, the expiration of the cure period specified in Paragraph 7(b) hereof, (2) if the Executive's employment is terminated by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (3) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be, and (4) if the Executive's employment is terminated by the Company other than for Cause or Disability, or by the Executive without Good Reason, 30 days after the date of receipt by the non-terminating party of a written notice of termination or such shorter time as the Board thereafter specifies in a written notice to the Executive.

(f) Change of Control of the Company. For the purpose of this Agreement, a "Change of Control" shall have been deemed to have occurred if at any time during the Employment Term:

(i) the Company sells or otherwise disposes in an arms length transaction assets of the Company having a fair market value of at least 60% of the total assets of the Company and its subsidiaries on a consolidated basis, or the Company sells or otherwise disposes of a majority of the equity ownership or voting control of any member of any corporation or other entity holding substantially all of the assets of the Company, in a single transaction or series of related transactions, or

(ii) acquisition by (A) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") or (B) two or more Persons of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of either (1) the shares of Common Stock outstanding immediately after such acquisition (the "Company Common Stock") or (2) the combined voting power of the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately after such acquisition (the "Company Voting Securities"); provided, however, that for purposes of this subsection (i) the following acquisitions of securities shall not constitute or be included when determining whether there has been a Change of Control: (1) any acquisition by the Company, or (2) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(iii) consummation of a reorganization, merger or consolidation or the sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of the assets of another corporation by the Company (in each case, a "Business Combination"), unless, following any such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Company Common Stock and Company Voting Securities outstanding immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Company Common Stock and Company Voting Securities outstanding, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or related trust of the Company or any corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the

Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

8. Obligations of the Company upon Termination of Employment.

(a) Termination by the Company Other Than for Cause, Death or Disability or by the Executive for Good Reason or for any Reason Following a Change of Control. If during the Employment Term (i) the Company terminates the Executive's employment other than for Cause, death or Disability or (ii) the Executive terminates his employment for Good Reason, then in any such case the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination (or, in the event any amounts due cannot be determined within this period, as soon thereafter as is practicable) an amount equal to (A) 1.5 times the Executive's then current Base Salary plus the annual bonus most recently paid to the Executive and (B) a pro rata bonus for the calendar year of termination. The provisions of this Subparagraph 8(a) shall not affect any rights of the Executive under the Company's benefit plans or programs.

(b) Termination as a result of the Executive's Disability or death. If during the Employment Term the Executive's employment is terminated by reason of the Executive's Disability or death, then the Company shall pay to the Executive or the Executive's legal representatives in a lump sum in cash within 30 days after the Date of Termination (or, in the event any amounts due cannot be determined within this period, as soon thereafter as is practicable) an amount equal to (A) 1.5 times the Executive's then current Base Salary plus the annual bonus most recently paid to the Executive and (B) a pro rata bonus for the calendar year

of termination, at the Target Bonus level. The provisions of this Subparagraph 8(b) shall not affect any rights of the Executive's heirs, administrators, executors, legatees, beneficiaries or assigns under the Company's benefit plans or programs.

(c) Termination by the Company for Cause or by the Executive other than for Good Reason. If during the Employment Term either (i) the Executive's employment is terminated by the Company for Cause or (ii) the Executive voluntarily terminates his employment prior to a Change of Control, excluding termination by him for Good Reason, then the Company shall have no further obligation to the Executive other than the obligation to pay to the Executive (A) his Base Salary through the Date of Termination and (B) any other compensation and benefits due to the Executive in accordance with this Agreement, in each case to the extent theretofore unpaid.

9. Golden Parachute Provision.

In the event that in the opinion of tax counsel selected by the Executive and compensated by the Company ("Executive's Tax Counsel"), a payment or benefit received or to be received by the Executive following his termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company or any of its subsidiaries, affiliates or divisions) (collectively, with the payments provided for in the foregoing provisions of Paragraph 8, the "Post Termination Payments") would be subject to excise tax (in whole or in part) as a result of Section 2806 of the Internal Revenue Code of 1986, as amended (the "Code"), and as a result of such excise tax, the net amount of Post Termination Payments retained by the Executive (taking into account federal and state income taxes and such excise tax) would be less than the net amount of Post Termination Payments retained by the Executive (taking into account federal and state income taxes) if the Post Termination Payments were reduced or eliminated as described in this Paragraph

9, then the Post Termination Payments shall be reduced or eliminated until no portion of the Post Termination Payments is subject to excise tax, or the Post Termination Payments are reduced to zero. For purposes of this limitation (i) no portion of the Post Termination Payments the receipt or enjoyment of which the Executive shall have waived in writing prior to the date of payment following termination of the Post Termination Payments shall be taken into account, (ii) no portion of the Post Termination Payments shall be taken into account which in the opinion of Executive's Tax Counsel does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code, (iii) the Post Termination Payments shall be reduced only to the extent necessary so that the Post Termination Payments (other than those referred to in clauses (i) and (ii)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code or are otherwise not subject to excise tax, in the opinion of Executive's Tax Counsel, and (iv) the value of any non-cash benefit and all deferred payments and benefits included in the Post Termination Payments shall be determined by the mutual agreement of the Company and the Executive in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

10. Governing Law; Arbitration; Jurisdiction; Attorneys' Fees.

This Agreement is made and entered into and will be governed by and interpreted in accordance with the laws of the State of Illinois. The Company and the Executive agree that any dispute regarding this Agreement, that cannot be resolved amicably by the parties, will be submitted to arbitration within 60 days of the date the dispute arose and will be resolved in accordance with the rules of the American Arbitration Association for expedited cases then in effect. The arbitrator will be mutually selected by the parties or in the event the parties cannot mutually agree, then appointed by the American Arbitration Association. Any arbitration will be held in Chicago, Illinois and the arbitrator will apply Illinois law. Judgment upon any award rendered by the arbitrator will be final and binding and may be entered in any court of competent jurisdiction. The Company will have the absolute right to seek equitable remedies in any state court of competent jurisdiction in the State of Illinois, County of Cook, or in a United States District Court in the State of Illinois pursuant to Paragraph 6(b) hereof. The parties shall be responsible for their own costs and expenses under this Paragraph 10; provided, however, all costs, fees and expenses (including reasonable attorneys' fees associated with such arbitration and court action to enforce judgment upon any award made by an arbitrator which satisfies clause (i) or (ii) of this sentence) shall be borne by the Company if (i) the Executive prevails, or (ii) if the arbitrator finds the Executive's position in such arbitration had substantial merit.

11. Miscellaneous.

(a) Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all previous agreements, written or oral, regarding the subject matter hereof between the parties hereto. This Agreement shall not be modified or amended, except by a written agreement signed by the parties hereto.

(b) Notices. All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to have been given if delivered by hand, sent by generally recognized overnight courier service, telex or telecopy with confirmation of receipt, or mail:

(i) to the Company:

Navigant Consulting, Inc.
Attn: General Counsel
615 N. Wabash
Chicago, Illinois 60611

with a copy to:

Winston & Strawn
Attention: Gov. James R. Thompson
35 West Wacker Drive
Chicago, IL 60601

(ii) to the Executive:

Ben W. Perks
____
____

with a copy to:

Robert J. Stucker, Esq.
Vedder Price Kaufman & Kammholz
222 N. LaSalle Street, Suite 2600
Chicago, IL 60601

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications will be effective when actually received by the addressee.

(c) Indemnification.

To the fullest extent permitted by law and in addition to any other rights permitted or granted under the Company's certificate of formation and operating agreement, each as amended to date, or any agreement or policy of insurance, or by law, the Company shall indemnify the Executive if the Executive is made a party, or threatened to be made a party, to any threatened, pending, or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that the Executive is or was an employee, officer or director of the Company or any subsidiary of the Company, in which capacity the Executive is or was serving at the Company's request, against any and all costs, losses, damages, judgments, liabilities and expenses (including reasonable attorneys' fees) which may be suffered or incurred by him in connection with any such action, suit or proceeding; provided, however, that there shall be no indemnification in relation to matters as to which the Executive is adjudged to have been guilty of fraud or bad faith or as a result of the Executive's material breach.

(d) Successors.

This Agreement is personal to the Executive and without the prior written consent of the Company it shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement will inure to the benefit of and be enforceable against the Executive's legal representatives. This Agreement will inure to the benefit of and be binding upon the Company and its successors and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, share exchange or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. For purposes of this Agreement, the term "Company" means the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(e) Severability. If any provision of this Agreement is held invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision will thereupon be deemed modified only to the extent necessary to render such provision valid, or not applicable to given circumstances, or excised from this Agreement, as the situation may require, and this Agreement will be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be. Should this Agreement, or any one or more of the provisions hereof, be held to be invalid, illegal or unenforceable within any governmental jurisdiction or subdivision thereof, the Agreement or any such provision or provisions will not as a consequence thereof be deemed to be invalid, illegal or unenforceable in any other governmental jurisdiction or subdivision thereof.

(f) Waiver. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, will not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(g) Counterparts. This Agreement may be executed in two counterparts, each of which will be deemed an original and both of which taken together will constitute a single instrument.

(signature page follows)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

____
Ben W. Perks

Navigant Consulting, Inc.

By_______________________________

Its______________________________

Exhibit 21.1

Significant Subsidiaries of Navigant Consulting, Inc.

Name	State of Incorporation	Doing business as
Peterson Consulting, LLC	Illinois	Navigant Consulting, Inc.

Exhibit 23.1

CONSENT OF KPMG, LLP

The Board of Directors Navigant Consulting, Inc.

We consent to incorporation by reference in the registration statement (No. 333-53506) on Form S-8 of Navigant Consulting, Inc. of our reports dated February 19, 2000, relating to the consolidated balance sheets of Navigant Consulting, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000, and the related schedule, which reports appear in the December 31, 2000 annual report on Form 10-K of Navigant Consulting, Inc.

/s/ KPMG, LLP

Chicago, Illinois
March 16, 2001