
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

Commission File No. 1-12173

Navigant Consulting, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-4094854
(I.R.S. Employer
Identification No.)

30 South Wacker Drive, Suite 3550, Chicago, Illinois 60606
(Address of principal executive offices, including zip code)

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of April 25, 2014, 49,148,365 shares of the registrant's common stock, par value \$.001 per share, were outstanding.

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Forward-Looking Statements

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,738	\$ 1,968
Accounts receivable, net	186,519	167,066
Prepaid expenses and other current assets	27,257	24,554
Deferred income tax assets	12,799	17,314
Total current assets	229,313	210,902
Non-current assets:		
Property and equipment, net	44,182	44,338
Intangible assets, net	9,402	10,778
Goodwill	615,358	615,343
Other assets	24,328	22,836
Total assets	<u>\$ 922,583</u>	<u>\$ 904,197</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,973	\$ 13,415
Accrued liabilities	10,978	12,691
Accrued compensation-related costs	37,301	78,610
Income tax payable	—	1,137
Other current liabilities	24,884	32,009
Total current liabilities	84,136	137,862
Non-current liabilities:		
Deferred income tax liabilities	89,399	86,571
Other non-current liabilities	25,115	26,016
Bank debt non-current	120,835	56,673
Total non-current liabilities	235,349	169,260
Total liabilities	<u>319,485</u>	<u>307,122</u>
Stockholders' equity:		
Common stock	63	63
Additional paid-in capital	602,106	598,724
Treasury stock	(255,268)	(247,106)
Retained earnings	265,614	254,735
Accumulated other comprehensive loss	(9,417)	(9,341)
Total stockholders' equity	<u>603,098</u>	<u>597,075</u>
Total liabilities and stockholders' equity	<u>\$ 922,583</u>	<u>\$ 904,197</u>

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)

	For the three months ended	
	March 31,	
	2014	2013
Revenues before reimbursements	\$ 175,056	\$ 183,134
Reimbursements	22,692	26,365
Total revenues	197,748	209,499
Cost of services before reimbursable expenses	120,128	123,052
Reimbursable expenses	22,692	26,365
Total costs of services	142,820	149,417
General and administrative expenses	33,102	32,566
Depreciation expense	4,309	3,730
Amortization expense	1,362	1,698
Other operating costs (benefit):		
Contingent acquisition liability adjustments, net	(1,160)	—
Office consolidation, net	—	208
Gain on disposition of assets	—	(1,715)
Operating income	17,315	23,595
Interest expense	838	1,225
Interest income	(89)	(163)
Other (income) expense, net	82	(148)
Income from continuing operations before income tax expense	16,484	22,681
Income tax expense	6,114	9,566
Net income from continuing operations	10,370	13,115
Income from discontinued operations, net of tax	509	683
Net income	<u>\$ 10,879</u>	<u>\$ 13,798</u>
Basic per share data		
Net income from continuing operations	\$ 0.21	\$ 0.26
Income from discontinued operations, net of tax	0.01	0.01
Net income	<u>\$ 0.22</u>	<u>\$ 0.27</u>
Shares used in computing basic per share data	48,906	50,295
Diluted per share data		
Net income from continuing operations	\$ 0.21	\$ 0.26
Income from discontinued operations, net of tax	0.01	0.01
Net income	<u>\$ 0.22</u>	<u>\$ 0.27</u>
Shares used in computing diluted per share data	50,477	51,360
Net income	<u>\$ 10,879</u>	<u>\$ 13,798</u>
Other comprehensive income (loss), net of tax		
Unrealized net loss, foreign currency translation	(95)	(5,341)
Unrealized net loss on interest rate derivatives	(19)	(10)
Reclassification adjustment on interest rate derivatives included in interest expense and income tax expense	38	28
Other comprehensive loss, net of tax	(76)	(5,323)
Total comprehensive income, net of tax	<u>\$ 10,803</u>	<u>\$ 8,475</u>

See accompanying notes to unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	<u>Common Stock Shares</u>	<u>Treasury Stock Shares</u>	<u>Common Stock Par Value</u>	<u>Additional Paid-In Capital</u>	<u>Treasury Stock Cost</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Earnings</u>	<u>Total Stock- holders' Equity</u>
Balance at December 31, 2013	62,802	(13,770)	63	598,724	(247,106)	(9,341)	254,735	597,075
Comprehensive income (loss)	—	—	—	—	—	(76)	10,879	10,803
Issuances of common stock	61	—	—	1,019	—	—	—	1,019
Tax benefits on stock options exercised and restricted stock units vested	—	—	—	172	—	—	—	172
Vesting of restricted stock and restricted stock units, net of forfeitures and tax withholdings	175	(33)	—	(695)	(599)	—	—	(1,294)
Share-based compensation expense	10	(10)	—	2,886	(172)	—	—	2,714
Repurchases of common stock	—	(409)	—	—	(7,391)	—	—	(7,391)
Balance at March 31, 2014	<u>63,048</u>	<u>(14,222)</u>	<u>\$ 63</u>	<u>\$ 602,106</u>	<u>\$(255,268)</u>	<u>\$ (9,417)</u>	<u>\$265,614</u>	<u>\$ 603,098</u>

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the three months ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 10,879	\$ 13,798
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense	4,309	3,730
Accelerated depreciation—office consolidation	—	208
Amortization expense	1,362	1,698
Amortization expense – client-facing software	64	73
Share-based compensation expense	2,714	2,545
Accretion of interest expense	164	219
Deferred income taxes	7,243	7,022
Allowance for doubtful accounts receivable	880	255
Contingent acquisition liability adjustments, net	(1,160)	—
Gain on disposition of assets	—	(1,715)
Gain on disposition of discontinued operations	(509)	—
Changes in assets and liabilities (net of acquisitions and dispositions):		
Accounts receivable	(20,350)	(16,944)
Prepaid expenses and other assets	(2,723)	1,397
Accounts payable	(2,451)	70
Accrued liabilities	(1,223)	(1,373)
Accrued compensation-related costs	(41,322)	(42,072)
Income taxes payable	(1,076)	(5,544)
Other liabilities	(4,509)	4,713
Net cash used in operating activities	(47,708)	(31,920)
Cash flows from investing activities:		
Purchases of property and equipment	(6,492)	(3,680)
Acquisitions of businesses, net of cash acquired	(1,500)	—
Proceeds from dispositions, net of selling costs	824	15,607
Capitalized client-facing software	(828)	(1,368)
Net cash (used in) provided by investing activities	(7,996)	10,559
Cash flows from financing activities:		
Issuances of common stock	1,019	1,071
Repurchases of common stock	(7,391)	(6,194)
Payments of contingent acquisition liabilities	(107)	(2,000)
Repayments to banks	(68,398)	(102,680)
Borrowings from banks	132,354	134,114
Other, net	(1,009)	(945)
Net cash provided by financing activities	56,468	23,366
Effect of exchange rate changes on cash and cash equivalents	6	(118)
Net increase in cash and cash equivalents	770	1,887
Cash and cash equivalents at beginning of the period	1,968	1,052
Cash and cash equivalents at end of the period	<u>\$ 2,738</u>	<u>\$ 2,939</u>

Supplemental Consolidated Cash Flow Information

	For the three months ended March 31,	
	2014	2013
Interest paid	\$ 494	\$ 783
Income taxes paid, net of refunds	\$ 1,615	\$ 8,085

See accompanying notes to unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

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

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

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

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

2. ACQUISITIONS

On July 1, 2013, we acquired the assets of The Anson Group, LLC for an aggregate purchase price of \$5.0 million, of which \$3.0 million was paid in cash at closing and \$2.0 million in deferred cash payments is payable in three equal installments on each of the first, second and third anniversaries of closing. Anson can also earn up to \$3.0 million of additional payments based on the business achieving certain performance targets over a three-year period following the closing. We estimated the fair value of the contingent consideration on the date of closing to be \$1.0 million. As part of the purchase price allocation, we recorded \$0.1 million in property and equipment, \$1.6 million in intangible assets and \$4.3 million in goodwill. During the three months ended March 31, 2014, we recorded \$0.2 million of other operating benefit reflecting a fair value adjustment (see Note – 11 Fair Value) to reduce the estimated contingent consideration obligation. The acquired business was integrated into our Disputes, Investigations & Economics segment. The purchase price paid in cash at closing was funded with borrowings under our credit facility.

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Pro Forma Information

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

	For the three months ended	
	March 31,	
	2014	2013
Total revenues	\$ 197,748	\$ 211,748
Net income from continuing operations	\$ 10,370	\$ 13,433
Basic net income from continuing operations per basic share	\$ 0.21	\$ 0.27
Shares used in computing net income per basic share	48,906	50,295
Diluted net income from continuing operations per diluted share	\$ 0.21	\$ 0.26
Shares used in computing net income per diluted share	50,477	51,360

3. DISPOSITIONS AND DISCONTINUED OPERATIONS

On July 8, 2013, we sold the United Kingdom financial services advisory business within our Financial, Risk & Compliance segment. The transaction included the transition of 45 employees to the purchaser. As part of the transaction we received \$1.4 million in cash, net of selling costs and a holdback for post-closing working capital adjustments. The sale agreement also allowed for contingent deferred proceeds of \$2.5 million payable to us on the 13th month anniversary of the closing based on the achievement of certain performance targets. Contingent deferred proceeds are currently estimated to be zero. During the three months ended March 31, 2014, we recorded a \$0.5 million gain which was included in income from discontinued operations, net of tax, related to the settlement of the holdback mentioned above.

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

	For the three months ended	
	March 31,	
	2014	2013
Revenues before reimbursements	\$ —	\$ 4,123
Total revenues	\$ —	\$ 5,274
Income from discontinued operations before income tax expense	\$ 509	\$ 894
Income tax expense from discontinued operations	\$ —	\$ 211
Income from discontinued operations, net of tax	\$ 509	\$ 683

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

4. SEGMENT INFORMATION

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

- The **Disputes, Investigations & Economics** segment provides accounting, financial and economic analysis, as well as discovery support, data management and analytics, on a wide range of legal and business issues including disputes, investigations and regulatory matters. The clients of this segment are principally companies, along with their in-house counsel and law firms, as well as accounting firms, corporate boards and government agencies.
- The **Financial, Risk & Compliance** segment provides strategic, operational, valuation, risk management, investigative and compliance consulting to clients in the highly regulated financial services industry, including major financial and insurance institutions. This segment also provides anti-corruption solutions and anti-money laundering, valuation and restructuring consulting, litigation support and tax compliance services to clients in a broad variety of industries.
- The **Healthcare** segment provides strategic, operational, performance improvement and outsourcing solutions to clients across the healthcare landscape including health systems, physician practice groups, health insurance providers, government and life sciences companies. We assist clients on issues such as the shift to an outcomes and value-based reimbursements model, ongoing industry consolidation and reorganization, and the required implementation of a new medical coding system.
- The **Energy** segment provides management advisory services to utility, government and commercial clients. We focus on creating value for our clients by assisting in their implementation of new business models and creating sustainable excellence on issues ranging from asset investment management, integrated resource planning, renewables, distributed generation, energy efficiency and outage management and restoration.

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

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

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

	For the three months ended March 31,	
	2014	2013
Revenues before reimbursements:		
Disputes, Investigations & Economics	\$ 76,032	\$ 76,975
Financial, Risk & Compliance	31,411	37,641
Healthcare	44,735	43,583
Energy	22,878	24,935
Total revenues before reimbursements	<u>\$175,056</u>	<u>\$ 183,134</u>
Total revenues:		
Disputes, Investigations & Economics	\$ 82,084	\$ 83,458
Financial, Risk & Compliance	37,998	47,329
Healthcare	50,366	49,191
Energy	27,300	29,521
Total revenues	<u>\$ 197,748</u>	<u>\$209,499</u>
Segment operating profit:		
Disputes, Investigations & Economics	\$ 24,718	\$ 25,817
Financial, Risk & Compliance	13,468	14,147
Healthcare	14,029	15,804
Energy	6,487	8,796
Total segment operating profit	58,702	64,564
Segment reconciliation to income from continuing operations before income tax expense:		
Unallocated:		
General and administrative expenses	33,102	32,566
Depreciation expense	4,309	3,730
Amortization expense	1,362	1,698
Other operating benefit, net	(1,160)	(1,507)
Long-term compensation expense attributable to consultants (including share-based compensation expense)	3,774	4,482
Operating income	17,315	23,595
Interest and other expense, net	831	914
Income from continuing operations before income tax expense	<u>\$ 16,484</u>	<u>\$ 22,681</u>

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

	March 31, 2014	December 31, 2013
Disputes, Investigations & Economics	\$ 454,400	\$ 443,417
Financial, Risk & Compliance	95,731	89,498
Healthcare	174,120	173,066
Energy	101,767	101,851
Unallocated assets	96,565	96,365
Total assets	<u>\$922,583</u>	<u>\$ 904,197</u>

5. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill consisted of (in thousands):

	March 31, 2014	December 31, 2013
Goodwill	\$ 620,783	\$ 620,768
Less—accumulated amortization	(5,425)	(5,425)
Goodwill, net	<u>\$615,358</u>	<u>\$ 615,343</u>

Changes made to our goodwill balances during the three months ended March 31, 2014 and 2013 were as follows (in thousands):

	Disputes, Investigations & Economics	Financial, Risk & Compliance	Healthcare	Energy	Total Company
Goodwill, net as of January 1, 2013	\$ 357,091	\$ 56,982	\$ 129,231	\$ 76,628	\$ 619,932
Adjustments	(35)	(12)	—	—	(47)
Disposition	(7,350)	—	—	—	(7,350)
Foreign currency	(5,165)	(158)	—	(69)	(5,392)
Goodwill, net as of March 31, 2013	<u>\$ 344,541</u>	<u>\$ 56,812</u>	<u>\$ 129,231</u>	<u>\$ 76,559</u>	<u>\$ 607,143</u>
Goodwill, net as of January 1, 2014	354,221	55,330	129,191	76,601	615,343
Adjustments	(38)	(9)	(3)	—	(50)
Foreign currency	83	(17)	—	(1)	65
Goodwill, net as of March 31, 2014	<u>\$ 354,266</u>	<u>\$ 55,304</u>	<u>\$ 129,188</u>	<u>\$ 76,600</u>	<u>\$ 615,358</u>

We performed our annual goodwill impairment test as of May 31, 2013. The key assumptions used in our annual impairment test included: internal projections completed during our most recent quarterly forecasting process; profit margin improvement generally consistent with our longer-term historical performance; revenue growth rates consistent with our longer-term historical performance also considering our near term investment plans and growth objectives; discount rates that were determined based on comparable discount rates for our peer group; company specific risk considerations; and cost of capital based on our historical experience. Each reporting unit's estimated fair value depends on various factors including its expected ability to achieve profitable growth. Based on our assumptions, the estimated fair value of each reporting unit as of May 31, 2013 exceeded its net asset carrying value. Accordingly, there was no indication of impairment of our goodwill.

Based on our fair value assumptions as of May 31, 2013, the excess of estimated fair value over net asset carrying value of each of our reporting units approximated 7% for Disputes, Investigations & Economics, 54% for Financial, Risk & Compliance, 34% for Healthcare and 39% for Energy. If the estimated fair value of our Disputes, Investigations & Economics reporting unit decreases, there is risk that in future periods the second step of the goodwill impairment test will be required, and an impairment of goodwill could result. Our assumptions for this reporting unit include conservative growth assumptions for newly acquired businesses and future investments. Our results are dependent on the success of these businesses and investments and their future growth at the anticipated levels.

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We have reviewed our most recent financial projections and considered the impact of changes to our business and market conditions on our goodwill valuation and determined that no events or conditions have occurred or are expected to occur that would trigger a goodwill impairment test subsequent to our annual test. We will continue to monitor the factors and key assumptions used in determining the fair value of each of our reporting units. There can be no assurance that goodwill or intangible assets will not be impaired in the future. We will perform our next annual goodwill impairment test on May 31, 2014.

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

Intangible assets consisted of (in thousands):

	March 31, 2014	December 31, 2013
Intangible assets:		
Customer lists and relationships	\$ 79,571	\$ 79,514
Non-compete agreements	22,471	22,557
Other	24,100	24,297
Intangible assets, at cost	126,142	126,368
Less: accumulated amortization	(116,740)	(115,590)
Intangible assets, net	<u>\$ 9,402</u>	<u>\$ 10,778</u>

Our intangible assets have estimated remaining useful lives ranging up to seven years which approximate the estimated periods of consumption. We will amortize the remaining net book values of intangible assets over their remaining useful lives. At March 31, 2014, our intangible assets consisted of the following (amounts in thousands, except year data):

Category	Weighted Average Remaining Years	Amount
Customer lists and relationships, net	3.2	\$6,885
Non-compete agreements, net	3.8	1,477
Other intangible assets, net	1.7	1,040
Total intangible assets, net	3.1	<u>\$ 9,402</u>

Below is the estimated annual aggregate amortization expense to be recorded for the remainder of 2014 and in future years related to intangible assets at March 31, 2014 (in thousands):

Year Ending December 31,	Amount
2014 (April—December)	\$ 3,489
2015	2,965
2016	1,398
2017	802
2018	505
Thereafter	243
Total	<u>\$ 9,402</u>

6. NET INCOME PER SHARE (EPS)

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

	For the three months ended	
	March 31,	
	2014	2013
Basic shares	48,906	50,295
Employee stock options	197	61
Restricted stock and restricted stock units	1,225	809
Contingently issuable shares	149	195
Diluted shares	50,477	51,360
Antidilutive shares (1)	49	590

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

7. SHARE-BASED COMPENSATION EXPENSE

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

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

	For the three months ended	
	March 31,	
	2014	2013
Amortization of restricted stock and restricted stock unit awards	\$ 2,408	\$ 2,132
Amortization of stock option awards	193	292
Discount given on employee stock purchase transactions through our Employee Stock Purchase Plan	113	88
Total share-based compensation expense	\$ 2,714	\$ 2,512

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

	For the three months ended	
	March 31,	
	2014	2013
Cost of services before reimbursable expenses	\$ 1,442	\$ 1,282
General and administrative expenses	1,272	1,230
Total share-based compensation expense	\$ 2,714	\$ 2,512

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

At March 31, 2014, we had \$11.2 million of total compensation costs related to unvested stock-based awards that have not been recognized as share-based compensation expense. The compensation costs will be recognized as an expense over the remaining vesting periods. The weighted average remaining vesting period is approximately 2 years. During the three months ended March 31, 2014, we granted an aggregate of 233,722 shares underlying restricted stock unit and stock option awards with an aggregate fair value of \$3.3 million at the time of grant. These grants include certain awards that vest based on relative achievement of pre-established performance criteria.

8. SUPPLEMENTAL CONSOLIDATED BALANCE SHEET INFORMATION

Accounts Receivable, net

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

	March 31, 2014	December 31, 2013
Billed amounts	\$ 130,112	\$ 121,335
Engagements in process	67,122	55,650
Allowance for uncollectible accounts	(10,715)	(9,919)
Accounts receivable, net	<u>\$186,519</u>	<u>\$ 167,066</u>

Receivables attributable to engagements in process represent balances for services that have been performed and earned but have not been billed to the client. Services are generally billed on a monthly basis for the prior month's services. Our allowance for uncollectible accounts is based on historical experience and management judgment and may change based on market conditions or specific client circumstances.

Prepaid Expenses and Other Current Assets

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

	March 31, 2014	December 31, 2013
Notes receivable—current	\$ 4,843	\$ 4,906
Income tax receivable	2,025	—
Prepaid recruiting and retention incentives	8,348	8,001
Other prepaid expenses and other current assets	12,041	11,647
Prepaid expenses and other current assets	<u>\$ 27,257</u>	<u>\$ 24,554</u>

Other Assets

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

	March 31, 2014	December 31, 2013
Notes receivable—non-current	\$ 5,462	\$ 7,155
Capitalized client-facing software	7,850	5,586
Prepaid recruiting and retention incentives – non-current	6,665	6,773
Prepaid expenses and other non-current assets	4,351	3,322
Other assets	<u>\$ 24,328</u>	<u>\$ 22,836</u>

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

Capitalized client-facing software is marketed or licensed to our clients. These amounts are amortized into cost of services before reimbursable expenses over their estimated remaining useful life. During the three months ended March 31, 2014 and 2013, we capitalized and acquired \$2.3 million and \$1.4 million, respectively.

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Prepaid recruiting and retention incentives include sign-on and retention bonuses that are generally recoverable from an employee if the employee terminates employment prior to fulfilling his or her obligations to us. These amounts are amortized as compensation expense over the period in which they are recoverable from the employee, generally in periods up to six years. During the three months ended March 31, 2014 and 2013, we granted \$2.7 million and \$2.6 million, respectively, of sign-on and retention bonuses, which have been included in current and non-current prepaid recruiting and retention incentives.

Property and Equipment, net

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

	March 31, 2014	December 31, 2013
Furniture, fixtures and equipment	\$ 64,802	\$ 62,486
Software	44,856	43,867
Leasehold improvements	31,457	32,416
Property and equipment, at cost	141,115	138,769
Less: accumulated depreciation and amortization	(96,933)	(94,431)
Property and equipment, net	<u>\$ 44,182</u>	<u>\$ 44,338</u>

During the three months ended March 31, 2014, we invested \$4.1 million in our technology infrastructure and software. Additionally, we disposed of \$1.8 million in fully depreciated assets. During the same period, we made a cash payment of \$2.2 million relating to additions accrued in prior years.

Other Current Liabilities

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

	March 31, 2014	December 31, 2013
Deferred acquisition liabilities	\$ 5,413	\$ 5,773
Deferred revenue	14,612	19,503
Deferred rent - short term	1,671	997
Other current liabilities	3,188	5,736
Total other current liabilities	<u>\$ 24,884</u>	<u>\$ 32,009</u>

The deferred acquisition liabilities at March 31, 2014 consisted of cash obligations related to definitive and contingent purchase price considerations recorded at net present value and fair value, respectively. During the three months ended March 31, 2014, we made cash payments of \$0.1 million in connection with deferred contingent acquisition liabilities relating to prior period acquisitions. Additionally, we reduced the fair value of certain current contingent acquisition liabilities by \$0.3 million during the quarter ended March 31, 2014 (see Note 11 – Fair Value).

The current portion of deferred rent relates to rent allowances and incentives on lease arrangements for our office facilities that expire at various dates through 2022.

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

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Other Non-Current Liabilities

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

	March 31, 2014	December 31, 2013
Deferred acquisition liabilities	\$ 7,268	\$ 8,038
Deferred rent - long term	10,070	10,642
Other non-current liabilities	7,777	7,336
Total other non-current liabilities	<u>\$ 25,115</u>	<u>\$ 26,016</u>

The deferred acquisition liabilities at March 31, 2014 consisted of cash obligations related to definitive and contingent purchase price considerations recorded at net present value and fair value, respectively. As obligations become payable within the year these cash obligations are moved to other current liabilities. Additionally, we reduced the fair value of certain non-current contingent acquisition liabilities by \$0.9 million during the quarter ended March 31, 2014 (see Note 11 – Fair Value).

The long-term portion of deferred rent relates to rent allowances and incentives on lease arrangements for our office facilities that expire at various dates through 2022.

At March 31, 2014, other non-current liabilities included \$3.0 million of performance-based long-term incentive compensation liabilities. As part of our long-term incentive plan, we intend to issue long-term restricted stock units to select senior-level consultants and leaders based on the achievement of certain performance targets.

9. DERIVATIVES AND HEDGING ACTIVITY

During the three months ended March 31, 2014, the following interest rate derivatives were outstanding (summarized based on month of execution):

<u>Month executed</u>	<u>Number of Contracts</u>	<u>Beginning Date</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>Total Notional Amount (millions)</u>
November 2011	1	May 31, 2012	May 31, 2015	0.98%	\$ 10.0
December 2011	2	December 31, 2012	December 31, 2015	1.17%	\$ 10.0
March 2012	1	June 29, 2012	June 30, 2015	1.01%	\$ 5.0
May 2012	1	June 28, 2013	May 27, 2016	1.15%	\$ 5.0

We expect the interest rate derivatives to be highly effective against changes in cash flows related to changes in interest rates and have recorded the derivatives as a cash flow hedge. As a result, gains or losses related to fluctuations in the fair value of the interest rate derivatives are recorded as a component of accumulated other comprehensive (loss) income and reclassified into interest expense as the variable interest expense on our bank debt is recorded. There was no ineffectiveness related to the interest rate derivatives during the three months ended March 31, 2014. During each of the three months ended March 31, 2014 and 2013, we recorded \$0.1 million in interest expense associated with differentials received or paid under the interest rate derivatives.

10. BANK DEBT

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

At March 31, 2014, we had aggregate borrowings outstanding of \$120.8 million, compared to \$56.7 million at December 31, 2013. Based on our financial covenants at March 31, 2014, approximately \$260 million in additional borrowings were available to us under the credit facility.

At our option, borrowings under the credit facility bear interest at a variable rate equal to an applicable base rate or LIBOR, in each case plus an applicable margin. For LIBOR loans, the applicable margin varies depending upon our consolidated leverage ratio (the ratio of total funded debt to adjusted EBITDA, as defined in the credit agreement). At March 31, 2014, the applicable margins on LIBOR and base rate loans were 1.00% and zero, respectively. Depending upon our performance and financial condition, our LIBOR loans will have applicable margins varying between 1.00% and 2.00%, and our base rate loans will have applicable margins varying between zero and 1.00%. Our average borrowing rate (including the impact of our interest rate derivatives; see Note 9 — Derivatives and Hedging Activity) was 3.1% and 2.6% for the three months ended March 31, 2014 and 2013, respectively.

Our credit agreement contains certain financial covenants, including covenants that require that we maintain a consolidated leverage ratio of not greater than 3.25:1 (except for the first quarter of each calendar year when the covenant requires us to maintain a consolidated leverage ratio of not greater than 3.5:1) and a consolidated interest coverage ratio (the ratio of the sum of adjusted EBITDA (as defined in the credit agreement) and rental expense to the sum of cash interest expense and rental expense) of not less than 2.0:1. At March 31, 2014, under the definitions in the credit agreement, our consolidated leverage ratio was 1.1 and our consolidated interest coverage ratio was 5.3. In addition, the credit agreement contains customary affirmative and negative covenants (subject to customary exceptions), including covenants that limit our ability to incur liens or other encumbrances, make investments, incur indebtedness, enter into mergers, consolidations and asset sales, change the nature of our business and engage in transactions with affiliates, as well as customary provisions with respect to events of default. We were in compliance with the terms of our credit agreement at March 31, 2014; however, there can be no assurances that we will remain in compliance in the future.

11. FAIR VALUE

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

Our interest rate derivatives (see Note 9 — Derivatives and Hedging Activity) are valued using counterparty quotations in over-the-counter markets. In addition, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk. The credit valuation adjustments associated with our interest rate derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by ourselves and our counterparties. However, at March 31, 2014, we assessed the significance of the impact on the overall valuation and believe that these adjustments are not significant. As such, our interest rate derivatives are classified within Level 2.

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

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The significant unobservable inputs used in the fair value measurements of our deferred contingent acquisition liabilities are our measures of the future profitability and related cash flows and discount rates. The fair value of our deferred contingent acquisition liabilities is reassessed on a quarterly basis based on assumptions provided to us by segment and business area leaders in conjunction with our business development and finance departments. Any change in the fair value estimate is recorded in the earnings of that period. During the three months ended March 31, 2014, we recorded \$1.2 million in other operating benefit for a reduction in the liability reflecting changes in the fair value estimate of the deferred contingent consideration for certain acquisitions made in 2012 and 2013 (see Note 2 – Acquisitions). During the three months ended March 31, 2014, we settled \$0.1 million in deferred contingent acquisition liabilities and recorded \$0.1 million of imputed interest.

At March 31, 2014, the carrying value of our bank debt approximated fair value as it bears interest at variable rates. We consider the recorded value of our other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at March 31, 2014 based upon the short-term nature of the assets and liabilities.

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At March 31, 2014				
Interest rate derivatives, net	\$ —	\$ 324	\$ —	\$ 324
Deferred contingent acquisition liabilities	\$ —	\$ —	\$ 5,157	\$5,157
At December 31, 2013				
Interest rate derivatives, net	\$ —	\$ 355	\$ —	\$ 355
Deferred contingent acquisition liabilities	\$ —	\$ —	\$ 6,322	\$ 6,322

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

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

Overview

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

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

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

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

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

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

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

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

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

Acquisitions

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

Dispositions and Discontinued Operations

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

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

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

Key Operating Metrics

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

- Average FTE is our average headcount during the reporting period adjusted for part-time status. Average FTE is further split between the following categories:
 - Client Service FTE — combination of Consulting FTE and Technology, Data & Process FTE defined as follows:
 - Consulting FTE — individuals assigned to client services who record time to client engagements; and
 - Technology, Data & Process FTE — individuals in businesses primarily dedicated to maintaining and delivering the services described above and are not included in average bill rate and average utilization metrics described below.
 - Non-billable FTE — individuals assigned to administrative and support functions, including office services, corporate functions and certain practice support functions.
- Period-end FTE — represents our headcount at the last day of the reporting period adjusted for part-time status. Consulting, Technology, Data & Process and Non-billable criteria also apply to period-end FTE.
- Average bill rate is calculated by dividing fee revenues before certain adjustments such as discounts and markups, by the number of hours associated with the fee revenues. Fee revenues and hours billed on performance-based services and related to Technology, Data & Process FTE are excluded from average bill rate.
- Average utilization rate is calculated by dividing the number of hours of our Consulting FTE who recorded time to client engagements during a period, by the total available working hours for these consultants during the same period (1,850 hours annually).
- Billable hours are the number of hours our Consulting FTE recorded time to client engagements during the reporting period.
- Segment operating profit represents total revenues less costs of services excluding long-term compensation expense attributable to consultants. Long-term compensation expense attributable to consultants includes share-based compensation expense and compensation expense attributable to retention incentives.

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

Results of Operations**Results for the three months ended March 31, 2014 compared to the three months ended March 31, 2013**

	For the three months ended		2014 over 2013 Increase (Decrease) Percentage
	March 31,		
	2014	2013	
Key operating metrics:			
Average FTE			
-Consulting	1,541	1,528	0.9
-Technology, Data & Process	543	406	33.7
-Non-billable	542	540	0.4
Period end FTE			
-Consulting	1,545	1,495	3.3
-Technology, Data & Process	555	399	39.1
-Non-billable	547	533	2.6
Average bill rate	\$ 280	\$ 275	1.8
Utilization	77%	78%	(1.3)

Overview. During the three months ended March 31, 2014 compared to the corresponding period in 2013, we reported a \$2.7 million, or 20.9%, decrease in net income from continuing operations. The decrease was largely due to a 4.4% decline in revenues before reimbursements (RBR) for the current period combined with higher general and administrative costs and depreciation expense. Partially offsetting the decrease was lower cost of services before reimbursements, which decreased 2.4% over the prior year period and lower interest expense. The three months ended March 31, 2014 benefited from a fair value adjustment of \$1.2 million to our deferred contingent acquisition liabilities.

Revenues before Reimbursements. For the three months ended March 31, 2014, RBR decreased 4.4% compared to the corresponding period in 2013. Including the impact of our acquisitions on a pro forma basis, RBR decreased 5.5% for the three months ended March 31, 2014 compared to the corresponding period in 2013. Our Healthcare segment's RBR increased 2.6% for the three months ended March 31, 2014 over the corresponding period in 2013. Our Financial, Risk & Compliance segment's RBR for the three months ended March 31, 2014 decreased 16.6% compared with the corresponding period in 2013 due to significant mortgage servicing review engagements in 2013 compared to 2014 and lower restructuring related revenue in 2014. Increased activity in regulatory compliance, including a large anti-money laundering engagement, partially offset the decrease within this segment. For the same period, our Energy segment's RBR decreased 8.2% mainly due to fewer engagements relating to market analysis and pricing services. Our Disputes, Investigations & Economics segment's RBR decreased 1.2% for the three months ended March 31, 2014 compared to the corresponding period in 2013 mainly due to the January 2013 sale of a portion of our economics business (see Note 3 – Dispositions and Discontinued Operations to the notes to our unaudited consolidated financial statements) offset by an increase in securities related engagements.

RBR included no performance-based fees for the three months ended March 31, 2014, compared to \$0.8 million in the corresponding period in 2013. The decrease was primarily associated with our Healthcare segment.

Utilization levels for the three months ended March 31, 2014 and 2013 were 77% and 78%, respectively. Average bill rate increased 1.8% to \$280. Average FTE—Consulting increased 0.9% for the three months ended March 31, 2014 compared to the corresponding period in 2013 mainly due to hiring within the Healthcare segment offset by planned and unplanned attrition within the Disputes, Investigations & Economics segment. Average FTE – Technology, Data & Process increased 33.7% mainly to support physician revenue cycle outsourcing engagements within our Healthcare segment.

Cost of Services Before Reimbursable Expenses. Cost of services before reimbursable expenses decreased 2.4% for the three months ended March 31, 2014 compared to the corresponding period in 2013. The decrease was mainly due to lower compensation costs associated with the Financial, Risk & Compliance segment. Severance expense relating to client service FTE's for the three months ended March 31, 2014 and 2013 was \$0.5 million and \$1.3 million, respectively. These decreases were partially offset by an increase in Healthcare segment wages due to the increase in Average FTE for this segment. Additionally, practice development, training and recruiting expenses were also higher for the three months ended March 31, 2014 compared to the corresponding period in 2013.

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General and Administrative Expenses. General and administrative expenses increased 1.6% for the three months ended March 31, 2014. The increase was mainly a result of higher corporate development-related costs, information technology costs and bad debt expense which were partially offset by a decrease in facilities expense and lower compensation expense due to the departure of certain senior corporate management in 2013. Bad debt expense for the three months ended March 31, 2014 compared to the corresponding period in 2013 was \$0.9 million and \$0.3 million, respectively. Days sales outstanding (DSO) was 78 days at March 31, 2014 compared to 77 days at March 31, 2013. The three months ended March 31, 2013 also benefited from a large collection of previously reserved accounts receivable balances. General and administrative expenses were 18.9% and 17.8% of RBR for the three months ended March 31, 2014 compared to the corresponding period in 2013, respectively, for the reasons discussed above.

Depreciation Expense. The increase in depreciation expense of 15.5% for the three months ended March 31, 2014 compared to the corresponding periods in 2013 was primarily due to increased technology infrastructure spending.

Amortization Expense. Amortization expense decreased 19.8% for the three months ended March 31, 2014, compared to the corresponding period in 2013. The decrease was due mainly to reduced amortization associated with certain intangible assets which became fully amortized as their useful lives came to term.

Other Operating Benefit – Contingent acquisition liability adjustment. During the three months ended March 31, 2014, we recorded a benefit of \$1.2 million relating to fair value adjustments to our deferred contingent acquisition liabilities.

Other Operating Costs (Benefit) – Office consolidation. During the three months ended March 31, 2013, we recorded accelerated depreciation of \$0.2 million in connection with the consolidation of one of our office locations.

Other Operating Costs (Benefit) – Gain on disposition of assets. During the three months ended March 31, 2013, we recorded a \$1.7 million gain relating to the January 31, 2013 sale of a portion of our economics business within our Disputes, Investigations & Economics segment. The gain reflected proceeds of \$15.6 million in cash, net of selling expenses and a reduction of \$6.5 million of working capital and \$7.4 million of goodwill.

Interest Expense. Interest expense decreased 31.6% for the three months ended March 31, 2014 compared to the corresponding period in 2013. This decrease was due to lower average borrowings for the three months ended March 31, 2014 compared to the corresponding period in 2013. The decrease was partially offset by a higher average borrowing rate for the three months ended March 31, 2014 compared to the corresponding period in 2013. Our average borrowing rates under our credit facility, including the impact of our interest rate derivatives (see Note 9 — Derivatives and Hedging Activity to the notes to our unaudited consolidated financial statements), were 3.1% and 2.6% for the three months ended March 31, 2014 and 2013, respectively. The increase is primarily due to a higher proportion of higher base rate borrowing during 2014. See Note 10 – Bank Debt to the notes to our unaudited consolidated financial statements for further information on borrowings under our credit facility.

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

Our effective income tax rate on income from continuing operations was 37.1% and 42.2% for the three months ended March 31, 2014 and 2013, respectively. The decrease in rates between periods is mainly a result of improved earnings in certain foreign jurisdictions including the utilization of certain valuation allowances which reduced income tax expense by \$0.4 million during the period.

Income from Discontinued Operations, net of tax. Income from discontinued operations, net of tax was \$0.5 million for the three months ended March 31, 2014 compared to \$0.7 million for the corresponding period in 2013. During the year ended December 31, 2013, we sold the United Kingdom financial services advisory business within our Financial, Risk & Compliance segment. In connection with the sale, during the three months ended March 31, 2014, we received payment in full for a holdback receivable which we had partially reserved for possible working capital adjustments. Refer to Note 3 – Dispositions and Discontinued Operations to the notes to our unaudited financial statements for further details on our discontinued operations.

Segment Results

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

- Disputes, Investigations & Economics
- Financial, Risk & Compliance
- Healthcare
- Energy

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

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

Disputes, Investigations & Economics

	For the three months ended March 31,		2014 over 2013 Increase (Decrease) Percentage
	2014	2013	
Revenues before reimbursements (in 000s)	\$ 76,032	\$ 76,975	(1.2)
Total revenues (in 000s)	\$ 82,084	\$ 83,458	(1.6)
Segment operating profit (in 000s)	\$ 24,718	\$ 25,817	(4.3)
Key segment operating metrics:			
Segment operating profit margin	32.5%	33.5%	(3.0)
Average FTE—Consulting	526	570	(7.7)
Average FTE—Technology, Data & Process	197	192	2.6
Average utilization rates based on 1,850 hours	75%	75%	—
Average bill rate	\$ 361	\$ 345	4.6

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

RBR for this segment decreased 1.2% for the three months ended March 31, 2014 compared to the corresponding period in 2013. The decrease in RBR was mainly due to the January 2013 sale of a portion of the economics business within the segment (see Note 3 – Dispositions and Discontinued Operations to the notes to our unaudited consolidated financial statements for further information on the sale) and other departures. In addition, lower demand for forensic accounting services during the three months ended March 31, 2014 compared to the corresponding period in 2013 contributed to the decrease. These decreases were partially offset by increased activity in international arbitration, financial services disputes and new business from a third quarter 2013 acquisition in healthcare disputes (see Note 2 – Acquisitions to the notes to our unaudited consolidated financial statements). Including the impact of the segment's acquisitions on a pro forma basis, RBR decreased 3.8% for the three months ended March 31, 2014 compared to the corresponding period in 2013. Average FTE—Consulting decreased 7.7% for the three months ended March 31, 2014 compared to the corresponding period in 2013, mainly due to planned and unplanned attrition. For the same period, average FTE – Technology, Data & Process increased 2.6%. Average bill rate increased 4.6% for the three months ended March 31, 2014 compared to the corresponding period in 2013. Utilization was flat for the same period. For the three months ended March 31, 2014, segment operating profit decreased \$1.1 million and segment operating profit margins decreased 1.0 percentage point compared to the corresponding period in 2013.

Financial, Risk & Compliance

	For the three months ended		2014 over
	March 31,		2013
	2014	2013	Increase (Decrease) Percentage
Revenues before reimbursements (in 000s)	\$ 31,411	\$ 37,641	(16.6)
Total revenues (in 000s)	\$ 37,998	\$ 47,329	(19.7)
Segment operating profit (in 000s)	\$ 13,468	\$ 14,147	(4.8)
Key segment operating metrics:			
Segment operating profit margin	42.9%	37.6%	14.1
Average FTE—Consulting	249	216	15.3
Average utilization rates based on 1,850 hours	84%	79%	6.3
Average bill rate	\$ 273	\$ 274	(0.4)

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

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

RBR for this segment decreased 16.6% for the three months ended March 31, 2014 compared to the corresponding period in 2013. RBR for the current period reflected decreased RBR from mortgage servicing review engagements and restructuring-related services partially offset by increased activity in regulatory compliance, including a large anti-money laundering engagement and new financial services engagements within the United States. Average FTE – Consulting increased 15.3% for the three months ended March 31, 2014 compared to the corresponding period in 2013 due to increased demand for financial services within the United States and regulatory compliance businesses offset by fewer restructuring-related professionals. Average bill rate decreased slightly for the three months ended March 31, 2014 compared to the corresponding period in 2013. Utilization increased 6.3% for the three months ended March 31, 2014 compared to the corresponding period in 2013 which reflected the impact of a recent increase in regulatory compliance activity, including a large anti-money laundering engagement, and activity relating to financial services engagements within the United States. Segment operating profit decreased \$0.7 million and segment operating profit margins increased 5.3 percentage points reflecting higher utilization and lower performance-based incentive compensation expense.

Healthcare

	For the three months ended		2014 over 2013 Increase (Decrease) Percentage
	March 31,		
	2014	2013	
Revenues before reimbursements (in 000s)	\$ 44,735	\$ 43,583	2.6
Total revenues (in 000s)	\$ 50,366	\$ 49,191	2.4
Segment operating profit (in 000s)	\$ 14,029	\$ 15,804	(11.2)
Key segment operating metrics:			
Segment operating profit margin	31.4%	36.3%	(13.5)
Average FTE—Consulting	443	420	5.5
Average FTE—Technology, Data & Process	293	168	74.4
Average utilization rates based on 1,850 hours	78%	81%	(3.7)
Average bill rate	\$ 255	\$ 250	2.0

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

RBR for this segment increased 2.6% for the three months ended March 31, 2014 compared to the corresponding period in 2013. RBR for the current period reflected continued strength for physician performance improvement solutions and revenue cycle outsourcing services offset by a decrease in performance-based fees and strategy related services as certain large projects wound down during the second half of 2013. Average FTE – Consulting increased 5.5% in the period, while utilization decreased 3.7% to 78% for the three months ended March 31, 2014, due in part to delayed ramp up of certain projects as well as the impact of unusually harsh weather conditions impacting clients and consultants. Average FTE - Technology increased 74.4% for the three months ended March 31, 2014 compared to the corresponding period in 2013 mainly due to our physician revenue cycle outsourcing group. Average bill rate increased 2.0% for the same period mainly due to rate increases. For the three months ended March 31, 2014, segment operating profit decreased \$1.8 million, and segment operating profit margin decreased 4.9 percentage points compared to the corresponding period in 2013 reflecting mix of engagements, lower utilization and increased wages and training expense for new hires as well as additional technology-related expense.

Energy

	For the three months ended		2014 over 2013 Increase (Decrease) Percentage
	March 31,		
	2014	2013	
Revenues before reimbursements (in 000s)	\$ 22,878	\$ 24,935	(8.2)
Total revenues (in 000s)	\$ 27,300	\$ 29,521	(7.5)
Segment operating profit (in 000s)	\$ 6,487	\$ 8,796	(26.3)
Key segment operating metrics:			
Segment operating profit margin	28.4%	35.3%	(19.5)
Average FTE—Consulting	323	322	0.3
Average FTE—Technology, Data & Process	53	46	15.2
Average utilization rates based on 1,850 hours	73%	78%	(6.4)
Average bill rate	\$ 187	\$ 191	(2.1)

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

RBR for this segment decreased 8.2% for the three months ended March 31, 2014 compared to the corresponding period in 2013. RBR for the current period reflects fewer engagements relating to market analysis and pricing services. Utilization decreased 6.4% for the three months ended March 31, 2014 compared to the corresponding period in 2013. Average FTE – Technology, Data & Process increased 15.2% for the three months ended March 31, 2014 compared to the corresponding period in 2013 as demand for the segment’s benchmarking and research services strengthened. For the three months ended March 31, 2014, segment operating profit decreased \$2.3 million and segment operating profit margin decreased 6.9 percentage points compared to the corresponding period in 2013 due to an increase in wages as a result of new hires and lower utilization.

Liquidity and Capital Resources

Our cash flow activities were as follows (in thousands) for the three months ended March 31,

	2014	2013
Net cash used in operating activities	\$ (47,708)	\$ (31,920)
Net cash (used in) provided by investing activities	\$ (7,996)	\$ 10,559
Net cash provided by financing activities	\$ 56,468	\$ 23,366

Generally, our net cash used in operating activities is funded by our day to day operating activities and augmented by borrowings under our credit facility. First quarter operating cash requirements are generally higher due to payment of our annual incentive bonuses while subsequent quarters’ cash requirements are generally lower. During the three months ended March 31, 2014, we continued our share repurchase program initiated in the fourth quarter of 2011. Our cash equivalents are primarily limited to money market accounts or ‘A’ rated securities, with maturity dates of 90 days or less.

We calculate accounts receivable DSO by dividing the accounts receivable balance, net of reserves and deferred revenue credits, at the end of the quarter, by daily revenue. Daily revenues are calculated by taking quarterly revenue divided by 90 days, approximately equal to the number of days in a quarter. DSO was 78 days at March 31, 2014, compared to 77 days at March 31, 2013. DSO is reported on a historical basis and is inclusive of discontinued operations. As DSO increases, we have less operating funds available for operating activities and our borrowings under our credit facility may increase.

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Operating Activities

Net cash used in operating activities was \$47.7 million for the three months ended March 31, 2014 compared to \$31.9 million for the corresponding period in 2013. The increase in cash used in operating activities was primarily due lower accounts receivable collections, lower net income from continuing operations and less deferred revenue in 2014 compared to 2013.

Investing Activities

Net cash used in investing activities was \$8.0 million for the three months ended March 31, 2014 compared to cash provided by investing activities of \$10.6 million for the corresponding period in 2013. During the three months ended March 31, 2013, we received \$15.6 million in proceeds from a disposition (see Note 3 – Dispositions and Discontinued Operations to the notes to our unaudited consolidated financial statements). In addition, higher capital expenditures in 2014 primarily associated with increased technology infrastructure spending contributed to the decrease in cash provided by investing activities for the current period.

Financing Activities

Net cash provided by financing activities was \$56.5 million for the three months ended March 31, 2014 compared to \$23.4 million for the corresponding period in 2013. The increase in cash provided by financing activities was primarily due to higher borrowings under our credit facility as a result of lower accounts receivable billing and collections in the current year as well as higher investing activity requirements driven in part by sale proceeds which were received in 2013 but not in 2014 and higher capital expenditures in 2014. In addition, during the three months ended March 31, 2014, we purchased 408,992 shares of our common stock in the open market for \$7.4 million compared to 513,200 shares for \$6.2 million during the three months ended March 31, 2013.

Debt, Commitments and Capital

For further information regarding our debt, see Note 10 – Bank Debt to the notes to our unaudited consolidated financial statements.

At March 31, 2014 we had total contractual obligations of \$223.2 million. The following table shows the components of our significant commitments at March 31, 2014 by the scheduled years of payments (in thousands):

Contractual Obligations	Total	2014	2015 to 2016	2017 to 2018	Thereafter
Deferred acquisition liabilities (a)	\$ 12,681	\$ 5,414	\$ 4,673	\$ 2,594	\$ —
Purchase agreements (b)	4,018	1,764	2,254	—	—
Revolving credit facility (c)	120,835	—	—	120,835	—
Lease commitments	85,703	16,000	32,937	20,047	16,719
Total contractual obligations	\$ 223,237	\$ 23,178	\$ 39,864	\$ 143,476	\$ 16,719

- a) At March 31, 2014, we had \$12.7 million in liabilities relating to deferred acquisition liability obligations (reflected in the table above). Of this balance, \$5.2 million is in the form of contingent acquisition liability obligations which were recorded at estimated fair value and discounted to present value. Settlement of the liabilities is contingent upon certain acquired businesses meeting performance targets. Assuming each of these acquisitions reach its maximum target, our maximum deferred acquisition liability would have been \$22.5 million at March 31, 2014.
- b) We have obligations recorded in other current liabilities and other non-current liabilities of approximately \$4.0 million (reflected in the table above) relating to costs associated with information technology purchases associated with our Technology, Data & Process businesses.
- c) Interest incurred on amounts we borrow under our credit facility vary based on relative borrowing levels, fluctuations in the variable interest rates and the applicable margin we pay over those interest rates. As such, we are unable to quantify our future obligations relating to interest on borrowing under our credit facility. See Note 10 – Bank Debt to the notes to our unaudited consolidated financial statements for further information on our credit facility.

On October 25, 2011, our board of directors extended until December 31, 2014 its previous authorization to repurchase up to \$100.0 million of our common stock in open market or private transactions. On February 11, 2014, our board of directors increased the stock repurchase authorization by approximately \$50.0 million and extended the authorization to December 31, 2015. As increased and extended, we are authorized to repurchase up to \$100.0 million in shares of our common stock during the two year period ending December 31, 2015. During the three months ended March 31, 2014, we repurchased 408,992 shares for \$7.4 million. Through March 31, 2014, we have repurchased an aggregate of 4,304,418 shares for approximately \$57.1 million under this program.

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

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

Off-balance Sheet Arrangements

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

Critical Accounting Policies

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

Recent Accounting Pronouncements

In March 2013, the FASB issued Accounting Standards Update (ASU) 2013-05 – Foreign Currency Matters (Topic 830). This update clarifies when to release the cumulative translation adjustment into net income when a parent of a foreign subsidiary sells a portion or all of its investment in a foreign entity. This guidance becomes effective for year end and interim periods beginning after December 15, 2013 and early adoption was permitted. As permitted we adopted this standard as of January 1, 2013, in connection with the United Kingdom sale of financial services advisory business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

At March 31, 2014, borrowings under our credit facility bear interest, in general, based on a variable rate equal to an applicable base rate (equal to the higher of a reference prime rate or one half of one percent above the federal funds rate) or LIBOR, in each case plus an applicable margin. We are exposed to interest rate risk relating to the fluctuations in LIBOR. We use interest rate swap agreements to manage our exposure to fluctuations in LIBOR.

At March 31, 2014, our interest rate derivatives effectively fixed our LIBOR base rate on \$30.0 million of our debt. Based on borrowings under the credit facility at March 31, 2014 and after giving effect to the impact of our interest rate derivatives, our interest rate exposure was limited to \$90.8 million of debt, and each quarter point change in market interest rates would have resulted in approximately a \$0.2 million change in annual interest expense.

At March 31, 2014, our cash equivalents were primarily limited to money market accounts or ‘A’ rated securities, with maturity dates of 90 days or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates rise. Because of the short periods to maturity of these instruments, an increase in interest rates would not have a material effect on our financial position or results of operations.

We operate in various foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. At March 31, 2014, we had net assets of approximately \$72.8 million with a functional currency of the United Kingdom Pound Sterling and \$21.4 million with a functional currency of the Canadian Dollar related to our operations in the United Kingdom and Canada, respectively. At March 31, 2014, we had net assets denominated in the non-functional currency of approximately \$1.5 million. As such, a ten percent change in the value of the local currency would have resulted in \$0.1 million foreign currency gain or loss in our results of operations. Excess cash balances held outside the United States are immaterial to our overall financial position, and therefore, we have limited exposure to repatriating funds back to the United States.

Item 4. Controls and Procedures.

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

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

During the quarter ended March 31, 2014, we implemented internal controls consistent with the framework published by the Committee of Sponsoring Organizations of the Treadway Commission, Internal Control – Integrated Framework (2013). There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION**Item 1. Legal Proceedings.**

We are not party to any material legal proceedings.

Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

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

<u>Period</u>	<u>Total Number of Shares Purchased(a)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(b)</u>	<u>Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs(b)</u>
Jan 1—31, 2014	135,806	\$ 18.70	135,300	\$ 97,470,243
Feb 1—28, 2014	134,392	\$ 17.40	134,392	\$ 95,132,403
Mar 1—31, 2014	172,146	\$ 18.12	139,300	\$ 92,609,053
Total	<u>442,344</u>	\$ 18.08	<u>408,992</u>	\$ 92,609,053

- (a) Includes 33,352 shares of our common stock withheld by us to satisfy individual tax withholding obligations in connection with the vesting of restricted stock during the period.
- (b) On October 25, 2011, our board of directors extended until December 31, 2014 its previous authorization to repurchase up to \$100 million of our common stock in open market or private transactions. On February 11, 2014, our board of directors increased the stock repurchase authorization by approximately \$50 million and extended the authorization to December 31, 2015. As increased and extended, we are authorized to repurchase up to \$100 million in shares of our common stock during the two year period ending December 31, 2015.

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Item 6. Exhibits.

The following exhibits are filed with this report:

<u>Exhibit No.</u>	<u>Description</u>
10.1	Second Amendment to Credit Agreement, dated as of February 19, 2014, among Navigant Consulting, Inc., the other Borrowers party thereto, the Guarantors party thereto and the Lenders from time to time party thereto, including Bank of America, N.A., as Administrative Agent.
10.2	Form of Restricted Stock Unit Award Agreement.
10.3	Form of Performance-Based Restricted Stock Unit Award Agreement.
10.4	Form of Stock Option Award Agreement.
10.5	Form of Amendment to Stock Option Award Agreement (Extending Post-Termination Exercise Period for Outstanding Stock Options Held by Mr. Goodyear).
31.1	Certification of Chief Executive Officer required by Rule 13a-14 of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer required by Rule 13a-14 of the Securities Exchange Act.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
101	Interactive Data File.

SIGNATURES

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

Navigant Consulting, Inc.

By: /S/ JULIE M. HOWARD

Julie M. Howard
Chairman and Chief Executive Officer

By: /S/ LUCINDA M. BAIER

Lucinda M. Baier
Executive Vice President and
Chief Financial Officer

Date: April 30, 2014

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT dated as of February 19, 2014 (this "Amendment"), is entered into among NAVIGANT CONSULTING, INC., a Delaware corporation (the "Company"), NAVIGANT CONSULTING (EUROPE) LIMITED, a corporation organized and existing under the laws of England and Wales (the "U.K. Borrower"), NAVIGANT CONSULTING LTD., a corporation organized and existing under the laws of the Province of Ontario (the "Canadian Borrower", and together with the Company, the U.K. Borrower and certain other Foreign Subsidiaries of the Company party hereto pursuant to Section 2.15 of the Credit Agreement, the "Borrowers" and, each a "Borrower"), the Guarantors identified on the signature pages hereto, the Lenders identified on the signature pages hereto and BANK OF AMERICA, N.A., as administrative agent (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (defined below).

RECITALS

A. The Borrowers, the Guarantors, the Lenders and the Administrative Agent entered into that certain Credit Agreement, dated as of May 27, 2011 (as amended and modified from time to time, the "Credit Agreement").

B. The parties hereto have agreed to amend the Credit Agreement as provided herein.

C. In consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows.

AGREEMENT

1. Amendments.

(a) Section 3.02. The following paragraph is hereby added at the end of Section 3.02 to read as follows:

Each Lender at its option may make any Credit Extension to any Borrower by causing any domestic or foreign branch or Affiliate of such Lender (each a "Designated Lender") to make such Credit Extension (and in the case of an Affiliate, the provisions of Sections 3.01 through 3.05 and 11.04 shall apply to such Affiliate to the same extent as to such Lender); provided that any exercise of such option shall not affect the obligation of the relevant Borrower to repay such Credit Extension in accordance with the terms of this Agreement; provided, however, if any Lender or any Designated Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Designated Lender to perform its obligations hereunder or to issue, make, maintain, fund or charge interest with respect to any Credit Extension to any Borrower who is organized under the laws of a jurisdiction other than the United States, a State thereof or the District of Columbia then, on notice thereof by such Lender to the Company through the Administrative Agent, and until such notice by such Lender is revoked, any obligation of such Lender to issue, make, maintain, fund or charge interest with respect to any such Credit Extension shall be suspended. Upon receipt of such notice, the Loan Parties shall, take all reasonable actions requested by such Lender to mitigate or avoid such illegality.

(b) Section 8.01. The “.” at the end of clause (o) in Section 8.01 of the Credit Agreement is hereby replaced with “; and” and a new clause (p) is hereby added immediately following clause (o) to read as follows:

(p) Liens securing Indebtedness permitted by Section 8.03(h); provided that the Indebtedness secured thereby shall not exceed \$10,000,000 in the aggregate at any time outstanding.

(c) Section 8.03. Section 8.03(h) of the Credit Agreement is hereby amended to read as follows:

(h) other Indebtedness in an aggregate principal amount not to exceed \$25,000,000 at any one time outstanding; and

2. Effectiveness; Conditions Precedent. This Amendment shall be effective upon satisfaction of the following conditions precedent:

(a) Receipt by the Administrative Agent of copies of this Amendment duly executed by the Borrowers, the Guarantors and the Required Lenders.

(b) Payment by the Loan Parties of the reasonable out-of-pocket costs and expenses of the Administrative Agent, including without limitation, the reasonable fees and expenses of Moore & Van Allen PLLC, incurred in connection with this Amendment, in each case to the extent invoiced in reasonable detail on or prior to the Business Day immediately preceding the date hereof.

3. Ratification of Credit Agreement. Each of the Loan Parties acknowledges and consents to the terms set forth herein and agrees that this Amendment does not impair, reduce or limit any of its obligations under the Loan Documents, except as expressly amended by this Amendment. This Amendment shall constitute a Loan Document.

4. Authority/Enforceability. Each Loan Party represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Loan Party and constitutes such Loan Party’s legal, valid and binding obligation, enforceable in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws or by equitable principles relating to enforceability.

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party is required in connection with the execution, delivery or performance by such Loan Party of this Amendment, or, if such consent is required, it has been obtained.

(d) The execution and delivery of this Amendment does not (i) violate, contravene or conflict with any provision of such Loan Party’s Organization Documents or (ii) materially violate, contravene or conflict with any Laws applicable to such Loan Party or any of its Subsidiaries.

5. Representations and Warranties. Each Loan Party represents and warrants to the Lenders that after giving effect to this Amendment (a) the representations and warranties set forth in Article VI of the Credit Agreement are true and correct in all material respects as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, and (b) no Default exists.

6. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of executed counterparts of this Amendment by facsimile or other secure electronic format shall be effective as an original.

7. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

9. Headings. The headings of the sections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Amendment.

10. Severability. If any provision of any of this Amendment is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

[remainder of page intentionally left blank]

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

COMPANY:

NAVIGANT CONSULTING, INC.,
a Delaware corporation

By: /s/ Lucinda M. Baier

Name: Lucinda M. Baier

Title: Executive Vice President and Chief Financial Officer

U.K. BORROWER:

NAVIGANT CONSULTING (EUROPE) LIMITED,
a corporation organized and existing under the laws
of England and Wales

By: /s/ Scott S. Harper

Name: Scott S. Harper

Title: Director

CANADIAN BORROWER:

NAVIGANT CONSULTING LTD.,
a corporation organized and existing under the laws
of the Province of Ontario

By: /s/ Lucinda M. Baier

Name: Lucinda M. Baier

Title: Vice President

GUARANTORS:

NAVIGANT ECONOMICS, LLC,
a Delaware limited liability company

By: /s/ David E. Wartner

Name: David E. Wartner

Title: Vice President and Controller

NCI HEALTHCARE, LLC,
a Delaware limited liability company

By: /s/ David E. Wartner

Name: David E. Wartner

Title: Vice President and Controller

FIFTH THIRD BANK, as Lender

By: /s/ Brad McDougall
Name: Brad McDougall
Title: Vice President

ASSOCIATED BANK, NATIONAL ASSOCIATION, as Lender

By: /s/ Brett Miller
Name: Brett Miller
Title: SVP

UNION BANK, N.A., as Lender

By: /s/ Omar Vega
Name: Omar Vega
Title: AVP

UNION BANK, CANADA BRANCH, as Lender

By: /s/ Anne Collins
Name: Anne Collins
Title: Vice President

THE NORTHERN TRUST COMPANY, as Lender

By: /s/ Patrick Cowan
Name: Patrick Cowan
Title: Senior Vice President

**NAVIGANT CONSULTING, INC.
2012 LONG-TERM INCENTIVE PLAN**

RESTRICTED STOCK UNIT AWARD AGREEMENT

Navigant Consulting, Inc., a Delaware corporation (the “Company”), hereby grants to [] (the “Holder”) as of [] (the “Grant Date”), pursuant to the terms and conditions of the Navigant Consulting, Inc. 2012 Long-Term Incentive Plan (the “Plan”), a restricted stock unit award (the “Award”) with respect to [] shares of the Company’s Common Stock, par value \$0.001 per share (“Stock”), upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the “Agreement”).

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing it in the space provided below and returning such original execution copy to the Company.

2. Rights as a Shareholder. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and the Holder becomes a shareholder of record with respect to such shares.

3. Service-Based Vesting Condition. Except as otherwise provided in this Section 3, the Award shall vest [(i) on the first anniversary of the Grant Date with respect to one-third of the number of shares subject thereto on the Grant Date, (ii) on the second anniversary of the Grant Date with respect to an additional one-third of the number of shares subject thereto on the Grant Date and (iii) on the third anniversary of the Grant Date with respect to the remaining one-third of the number of shares subject thereto on the Grant Date], provided the Holder remains continuously employed by the Company or one of its affiliates through such date. The period of time prior to the vesting shall be referred to herein as the “Restriction Period.”

3.1. Termination of Employment.

3.1.1. Termination as a Result of Holder’s Death or Disability or by the Company other than for Cause Prior to a Change in Control. If the Holder’s employment with the Company terminates prior to the end of the Restriction Period by reason of (i) the Holder’s death or Disability or (ii) the Company’s termination of the Holder’s employment other than for Cause prior to a Change in Control, then in any such case, a pro-rata portion of the Award that was not vested immediately prior to such termination of employment shall vest upon such termination of employment. For purposes of the foregoing sentence, a “pro-rata portion” shall mean the product of (x) the number of shares subject to the Award that would have vested on the next vesting date and (y) a fraction, the numerator of which is the number of days that have elapsed since the vesting date immediately prior to such termination of employment (or, in the case of the Holder’s termination of employment prior to the first vesting date, the Grant Date) through the date of termination of the Holder’s employment, and the denominator of which is 365. The portion of the Award that does not vest in connection with such termination of employment shall be immediately forfeited and cancelled by the Company.

3.1.2. Termination by the Company for Cause or by the Holder (other than by reason of Retirement). If the Holder's employment with the Company terminates prior to the end of the Restriction Period by reason of (i) the Company's termination of the Holder's employment for Cause or (ii) the Holder's resignation from employment for any reason other than Retirement, then the portion of the Award that was not vested immediately prior to such termination of employment shall be immediately forfeited by the Holder and cancelled by the Company.

3.1.3. Termination by Reason of Retirement. If the Holder's employment with the Company is terminated by reason of "Retirement" and provided that the Holder complies with the obligations set forth in the section entitled "Obligations of the Executive During and After Employment" contained in the Holder's employment agreement with the Company, dated [] (the "Employment Agreement") (with such section being incorporated herein by reference) throughout the Restriction Period, the Award shall continue to vest in accordance with the vesting schedule set forth in Section 3, assuming the Holder had remained employed with the Company on each such vesting date. As used herein, "Retirement" shall mean the Holder's voluntarily resignation of employment from the Company and its Subsidiaries if, on the date of such resignation of employment, the sum of the Holder's age and continuous years of service with the Company equals at least 65, with a minimum of at least five continuous years of service and a minimum age of 55.

3.1.4. Change in Control.

(a) In the event of a Change in Control pursuant to which the Award is not effectively assumed by the surviving or acquiring corporation in a Change in Control (with appropriate adjustments to the number and kinds of shares, in each case, that preserve the material terms and conditions of the Award as in effect immediately prior to the Change in Control), the portion of the Award that was not vested immediately prior to such Change in Control shall be 100% vested upon such Change in Control.

(b) In the event a Change in Control occurs during the Restriction Period and the Holder's employment is terminated by the Company other than for Cause or by the Holder due to Good Reason within 24 months following such Change in Control, the portion of the Award that was not vested immediately prior to such termination of employment shall be 100% vested upon such termination of employment.

3.1.5. Definitions. For purposes of this Award, "Cause," "Disability" and "Good Reason" shall have the meanings set forth in the Employment Agreement.

4. Delivery of Certificates. Subject to Section 6, as soon as practicable (but not later than 30 days) after the vesting of the Award, in whole or in part, the Company shall deliver or cause to be delivered one or more certificates issued in the Holder's name (or such other name as is acceptable to the Company and designated in writing by the Holder) representing the number of vested shares; provided, however, in the event of the vesting of the Award pursuant to Section 3.1.4, if the Award constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code) and such Change in Control is not a "change in control event" (within the meaning of Section 409A of the Code), such Award shall be payable in accordance with the vesting schedule set forth in Section 3, assuming the Holder had remained employed with the Company on each such vesting date. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in Section 6.

Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Company or in such shares of Stock, and will have the status of a general unsecured creditor of the Company.

5. Transfer Restrictions and Investment Representation.

5.1. Nontransferability of Award. The Award may not be transferred by the Holder other than by will or the laws of descent and distribution or pursuant to the designation of one or more beneficiaries on the form prescribed by the Company. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

5.2. Investment Representation. The Holder hereby represents and covenants that (a) any share of Stock acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Holder shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of vesting of any shares of Stock hereunder or (y) is true and correct as of the date of any sale of any such share, as applicable. As a further condition precedent to the delivery to the Holder of any shares of Stock subject to the Award, the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Board shall in its sole discretion deem necessary or advisable.

6. Additional Terms and Conditions of Award.

6.1. Withholding Taxes. (a) As a condition precedent to the delivery of the shares of Stock upon the vesting of the Award, the Holder shall, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the “Required Tax Payments”) with respect to the Award. If the Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Holder.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company, (2) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Stock having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the “Tax Date”), equal to the Required Tax Payments, (3) authorizing the Company to withhold whole shares of

Stock which would otherwise be delivered to the Holder having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments or (4) any combination of (1), (2) and (3). Shares of Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder. No certificate representing a share of Stock shall be delivered until the Required Tax Payments have been satisfied in full.

6.2. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation) that causes the per share value of shares of Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of this Award, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) to prevent dilution or enlargement of rights of the Holder. The decision of the Board regarding any such adjustment shall be final, binding and conclusive.

6.3. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

6.4. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement, give or be deemed to give the Holder any right to continued employment by the Company or prevent or be deemed to prevent the Company from terminating the Holder's employment at any time, with or without Cause.

6.5. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Holder or by the Company forthwith to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on all parties.

6.6. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon the Holder and his or her heirs, executors, administrators, successors and assigns.

6.7. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Navigant Consulting, Inc., Attn. General Counsel, 30 S. Wacker Dr., Suite 3550, Chicago, Illinois 60606, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.8. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.9. Entire Agreement. The Plan is incorporated herein by reference. Capitalized terms not defined herein shall have the meanings specified in the Plan. This Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Company and the Holder.

6.10. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

6.11. Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and the Holder, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

6.12. Counterparts. This Agreement may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

6.13. Cancellation and Forfeiture of Award. Notwithstanding anything contained in this Agreement, if the Holder engages in any activity which constitutes Cause, breaches any of his or her obligations to the Company or any of its affiliates under a noncompetition, nonsolicitation, confidentiality, intellectual property or other restrictive covenant or engages in any activity which is contrary, inimical or harmful to the Company or any of its affiliates, including but not limited to violations of Company policy to the extent then applicable to the Holder, the Company may take such action as it shall deem appropriate to cause the Award to be cancelled as of the date on which the Holder first engaged in such activity or breached such obligation, and the Company thereafter may require the repayment of any amounts received by the Holder in connection with the vesting of the Award following the date that the Holder first engaged in such activity or breached such obligation. For purposes of this Award, "Cause" shall have the meaning set forth in the Holder's Employment Agreement. The determination by the Committee of the existence of Cause shall be conclusive and binding.

6.14. Compliance With Section 409A of the Code. This Award is intended to be exempt from or comply with Section 409A of the Code, and shall be interpreted and construed accordingly. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of employment, the applicable shares of Stock shall be transferred to the Holder or his or her beneficiary upon the Holder's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Award, to the extent any payments hereunder constitute nonqualified deferred compensation, within the meaning of Section 409A, then if the Holder is a specified employee (within the meaning of Section 409A of the Code) as of the date of the Holder's separation from service, each such payment that is payable upon the Holder's separation from service and would have been paid prior to the six-month anniversary of the Holder's separation from service, shall be delayed until the earlier to occur of (i) the first day of the seventh month following the Holder's separation from service and (ii) the date of the Holder's death.

NAVIGANT CONSULTING, INC.

By: _____

Accepted this day of , 20

NAVIGANT CONSULTING, INC.
2012 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

Navigant Consulting, Inc., a Delaware corporation (the “Company”), hereby grants to [] (the “Holder”) as of [], 20 (the “Grant Date”), pursuant to the terms and conditions of the Navigant Consulting, Inc. 2012 Long-Term Incentive Plan (the “Plan”), a restricted stock unit award (the “Award”) with respect to [] shares of the Company’s Common Stock, par value \$0.001 per share (“Stock”), upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the “Agreement”).

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing it in the space provided below and returning such original execution copy to the Company.

2. Rights as a Shareholder. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and the Holder becomes a shareholder of record with respect to such shares.

3. Vesting Conditions.

3.1. Performance-Based Vesting Conditions. Of the Stock subject to this Award: []% of the Stock shall be “Tranche 1 Stock” and []% of the Stock shall be “Tranche 2 Stock.” Subject to the remainder of this Section 3, the Tranche 1 Stock and the Tranche 2 Stock shall vest on the [] anniversary of the Grant Date (the “Vesting Date”) and become payable pursuant to the terms of this Agreement and the Plan based on the achievement of the performance goals set forth below over the [] performance period (the “Performance Period”), provided that the Holder remains in continuous employment with the Company through the Vesting Date. Attainment of the performance goals shall be determined and certified by the Committee in writing prior to the settlement of the Award pursuant to this Section 3.1 or Section 3.2 hereof.

(a) Tranche 1 Stock

Subject to the remainder of this Agreement and the terms of the Plan, the Tranche 1 Stock shall vest based on the Company’s TSR percentile ranking over the Performance Period compared to the TSR of the companies included in the TSR Comparator Group.

	<u>Company Percentile Rank v. TSR Comparator Group</u>	<u>Percent of Tranche 1 Stock that Shall Vest*</u>
Below Threshold	Below the 25 th percentile	[]%
Threshold	25 th percentile	[]%
Target	50 th percentile	[]%
Maximum	75 th percentile and above	[]%

* The vesting percentage of the Tranche 1 Stock shall be determined using straight-line interpolation between performance levels

(b) Tranche 2 Stock

Subject to the remainder of this Agreement and the terms of the Plan, the Tranche 2 Stock shall vest based on the Company's [] for the Performance Period.

	<u>[]</u>	<u>Percent of Tranche 2 Stock that Shall Vest*</u>
Below Threshold	Less than \$[]	[]%
Threshold	\$ []	[]%
Target	\$ []	[]%
Maximum	\$ []	[]%

* The vesting percentage of the Tranche 2 Stock shall be determined using straight-line interpolation between performance levels.

(c) Definitions

“Average Stock Price” means the average of the closing transaction prices of a share of common stock of a company, as reported on the principal national stock exchange on which such common stock is traded, for the 30-day period immediately preceding the date for the which the Average Stock Price is being determined hereunder.

“TSR” means a company’s cumulative total shareholder return as measured by dividing (A) the sum of the cumulative amount of dividends for the Performance Period, assuming dividend reinvestment, and the difference between the Average Stock Price determined as of the first day of the Performance Period and the Average Stock Price determined as of the last day of the Performance Period, by (B) the Average Stock Price determined as of the first day of the Performance Period.

“TSR Comparator Group” means the Global Industry Classification Standard Commercial and Professional Services Industry Group 2020 companies that are also part of the Russell 3000 Index, determined as of the first day of the Performance Period.

3.2. Termination of Employment.

3.2.1. Termination by Reason of Death, Disability, or by the Company other than for Cause Prior to a Change in Control. If the Holder's employment with the Company or one of its Subsidiaries terminates by reason of death or Disability, or is terminated by the Company or one of its Subsidiaries other than for Cause prior to a Change in Control, the Performance Period shall continue through the last day thereof and the Holder shall be entitled to a prorated Award. Such prorated Award shall be equal to the value of the Award at the end of the Performance Period based on the actual performance during the Performance Period multiplied by a fraction, the numerator of which shall equal the number of days such Holder was employed with the Company during the Performance Period and the denominator of which shall equal the number of days in the Performance Period. Notwithstanding anything herein to the contrary, if a Holder shall be entitled to receive shares of Common Stock pursuant to this Section 3.2.1, the Company shall issue or transfer to the Holder the number of shares of Common Stock underlying the prorated Award as soon as practicable following the end of the Performance Period but no later than the March 15th occurring immediately after the last day of the Performance Period.

As used herein, "Disability" shall have the meaning set forth in the Holder's employment agreement with the Company, and if not defined therein, shall mean a sickness or disability extending for more than three (3) consecutive months as a result of which the Holder is unable to perform his or her duties for the Company or one of its Subsidiaries, as applicable, in the required and customary manner and that will continue for not less than an additional three (3) months, as determined by the Company in its sole discretion. In the event of any dispute regarding the existence of the Holder's Disability hereunder, the matter shall be resolved by the determination of a physician selected by the Committee and reasonably acceptable to the Holder. The Holder shall submit to appropriate medical examinations for purposes of such determination.

As used herein, "Cause" shall have the meaning set forth in the Holder's employment agreement with the Company, and if not defined therein, shall mean (i) the commission of a felony or the commission of any other crime that is injurious to the Company, to a Company employee or to a client of the Company; (ii) willful misconduct, dishonesty, fraud, attempted fraud or other willful action or willful failure to act that is injurious to the Company, to a Company employee or to a client of the Company; (iii) any material breach of fiduciary duty owed to the Company or to a client of the Company; (iv) any material breach of the terms of any agreement with the Company (including without limitation any agreement regarding non-competition, non-solicitation of clients or employees, or confidentiality); (v) any material violation of a restriction on disclosure or use of privileged, proprietary or confidential information (including information belonging to the Company, to a client of the Company or to a third party to whom the Company owes a duty of confidentiality), but only if such violation is committed with actual notice of such restriction on disclosure; or (vi) any other material breach of the Company's Code of Business Conduct and Ethics or its securities trading policies, as amended from time to time. The determination by the Committee of the existence of Cause shall be conclusive and binding.

3.2.2. Termination by Reason of Voluntary Termination by Holder (other than by reason of Retirement) or Termination by the Company for Cause. If the Holder's employment with the Company or one of its Subsidiaries is terminated voluntarily by the Holder for any reason other than Retirement or is terminated by the Company or one of its Subsidiaries for Cause before the Vesting Date, the Holder will forfeit the Award as of the date of termination. The Company and its Subsidiaries will not have any further obligations to the Holder under this Agreement as to any shares of Stock subject to the Award that are forfeited as provided herein; the Holder will not be entitled to any portion of the Award on a pro rata basis (or otherwise) as of the date of termination; and the Company and its Subsidiaries will not be liable to provide any replacement benefit or compensation in lieu of such forfeiture.

3.2.3. Termination by Reason of Retirement. If the Holder's employment with the Company is terminated by reason of "Retirement" and provided that the Holder complies with the obligations set forth in the section entitled "Obligations of the Executive During and After Employment" contained in the Holder's employment agreement with the Company, dated as of [] (with such section being incorporated herein by reference) until the date on which the Award is settled pursuant to Section 4 hereof, the Performance Period shall continue through the last day thereof and the Holder shall be entitled to a prorated Award. Such prorated Award shall be equal to the value of the Award at the end of the Performance Period based on the actual performance during the Performance Period multiplied by a fraction, the numerator of which shall equal the number of days such Holder was employed with the Company during the Performance Period and the denominator of which shall equal the number of days in the Performance Period. Notwithstanding anything herein to the contrary, if a Holder shall be entitled to receive shares of Common Stock pursuant to this Section 3.2.3, the Company shall issue or transfer to the Holder the number of shares of Common Stock underlying the prorated Award as soon as practicable following the end of the Performance Period but no later than the March 15th occurring immediately after the last day of the Performance Period.

As used herein, "Retirement" shall mean the Holder's voluntarily resignation of employment from the Company and its Subsidiaries if, on the date of such resignation of employment, the sum of the Holder's age and continuous years of service with the Company equals at least 65, with a minimum of at least five continuous years of service and a minimum age of 55.

3.3. Change in Control.

3.3.1. In the event of a Change in Control pursuant to which the Award is not effectively assumed by the surviving or acquiring corporation in a Change in Control (with appropriate adjustments to the number and kinds of shares, in each case, that preserve the material terms and conditions of the outstanding Award as in effect immediately prior to the Change in Control), the Holder shall be entitled to the value of the Award determined assuming target performance. Notwithstanding anything herein to the contrary, if a Holder shall be entitled to receive shares of Stock pursuant to this Section 3.3.1, the Company shall issue or transfer to the Holder the number of shares of Stock underlying the vested Award as soon as practicable following the Change in Control but no later than the March 15th occurring immediately after the year in which the Change in Control occurs.

3.3.2. In the event a Change in Control occurs during the Performance Period and the Holder's employment is terminated by the Company or one of its Subsidiaries other than for Cause or by the Holder for Good Reason within 24 months following such Change in Control, the Holder shall be entitled to the value of the Award determined assuming target performance. Notwithstanding anything herein to the contrary, if a Holder shall be entitled to receive shares of Common Stock pursuant to this Section 3.3.2, the Company shall issue or transfer to the Holder the number of shares of Common Stock underlying the vested Award as soon as practicable following such termination of employment but no later than the March 15th occurring immediately after the year in which such termination of employment occurs.

3.3.3. "Good Reason" means any of the following actions, events or conditions that occur without the express written consent of the Holder:

(i) removal by the Company of the Holder's position as [], or a change such that the Holder no longer reports to the [];

(ii) any material changes by the Company in the Holder's title, functions, duties, or responsibilities which changes would cause the Holder'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 Holder as of the Grant Date;

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- (iii) any material failure by the Company to comply with the provisions of the Employment Agreement between the Holder and the Company; or
 - (iv) the requirement made by the Company that the Holder relocate the Holder's residence;

provided that, the Holder must provide written notice to the Board of the Holder's intent to terminate employment for Good Reason due to the action, event or condition described in (i) through (iv) above within a period not to exceed ninety (90) days of the initial existence of the action, event or condition, and must provide the Company a period of at least thirty (30) days during which it may remedy the action, event or condition.

4. Delivery of Certificates. Subject to Section 6, as soon as practicable after the vesting of the Award (but in any event no later than March 15th of the year following the year in which the award ceases to be subject to a substantial risk of forfeiture), the Company shall deliver or cause to be delivered one or more certificates issued in the Holder's name (or such other name as is acceptable to the Company and designated in writing by the Holder) representing the number of vested shares. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in Section 6. Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Company or in such shares of Stock, and will have the status of a general unsecured creditor of the Company.

5. Transfer Restrictions and Investment Representation.

5.1. Nontransferability of Award. The Award may not be transferred by the Holder other than by will or the laws of descent and distribution or pursuant to the designation of one or more beneficiaries on the form prescribed by the Company. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

5.2. Investment Representation. The Holder hereby represents and covenants that (a) any share of Stock acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Holder shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of vesting of any shares of Stock hereunder or (y) is true and correct as of the date of any sale of any such share, as applicable. As a further condition precedent to the delivery to the Holder of any shares of Stock subject to the Award, the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Board shall in its sole discretion deem necessary or advisable.

6. Additional Terms and Conditions of Award.

6.1. Withholding Taxes. (a) As a condition precedent to the delivery of the shares of Stock upon the vesting of the Award, the Holder shall, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the “Required Tax Payments”) with respect to the Award. If the Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Holder.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company, (2) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Stock having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the “Tax Date”), equal to the Required Tax Payments, (3) authorizing the Company to withhold whole shares of Stock which would otherwise be delivered to the Holder having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments or (4) any combination of (1), (2) and (3). Shares of Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder. No certificate representing a share of Stock shall be delivered until the Required Tax Payments have been satisfied in full.

6.2. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation) that causes the per share value of shares of Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of this Award, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) to prevent dilution or enlargement of rights of the Holder. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

6.3. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

6.4. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement, give or be deemed to give the Holder any right to continued employment by the Company or prevent or be deemed to prevent the Company from terminating the Holder’s employment at any time, with or without Cause.

6.5. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Holder or by the Company forthwith to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on all parties.

6.6. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon the Holder and his or her heirs, executors, administrators, successors and assigns.

6.7. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Navigant Consulting, Inc., Attn: General Counsel, 30 S. Wacker Dr., Suite 3550, Chicago, Illinois 60606, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.8. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.9. Entire Agreement. The Plan is incorporated herein by reference. Capitalized terms not defined herein shall have the meanings specified in the Plan. This Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Company and the Holder.

6.10. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

6.11. Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and the Holder, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

6.12. Counterparts. This Agreement may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

6.13 Compliance With Section 409A of the Code. The Agreement is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be interpreted and construed consistently with such intent; provided, however, that in no event shall the Company or any of its directors, officers, employees or advisors be responsible for any such additional tax, interest or related tax penalties that may be imposed under Section 409A of the Code.

6.14 Clawback Provision. The Holder acknowledges that the Holder has read the Company's Policy on Recoupment of Incentive Compensation (the "Clawback Policy"). In consideration of the grant of the Award, the Holder agrees to abide by the Clawback Policy and any determinations of the Board pursuant to the Clawback Policy. Without limiting the foregoing, and notwithstanding any provision of this Agreement to the contrary, the Holder agrees that the Company shall have the right to require the Holder to repay the value of any shares of Stock acquired upon vesting of the Award, as may be required by law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder) or in accordance with the terms of the Clawback Policy. This Section 6.14 shall survive the termination of the Holder's employment with the Company for any reason. The foregoing remedy is in addition to and separate from any other relief available to the Company due to the Holder's misconduct or fraud. Any determination by the Board with respect to the foregoing shall be final, conclusive and binding upon the Holder and all persons claiming through the Holder.

NAVIGANT CONSULTING, INC.

By: _____

Accepted this day of 20

**NAVIGANT CONSULTING, INC.
2012 LONG-TERM INCENTIVE PLAN**

EXECUTIVE OFFICER OPTION AWARD NOTICE

[Name of Optionee]

You have been awarded an option to purchase shares of Common Stock of Navigant Consulting, Inc. (the “Company”), pursuant to the terms and conditions of the Navigant Consulting, Inc. 2012 Long-Term Incentive Plan (the “Plan”) and the Stock Option Agreement (together with this Award Notice, the “Agreement”). Copies of the Plan and the Stock Option Agreement are attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Option: You have been awarded a Nonqualified Stock Option to purchase from the Company [] shares of its Common Stock, par value \$0.001 per share, subject to adjustment as provided in Section 3.3 of the Agreement.

Option Date: _____, _____

Exercise Price: \$[] per share, subject to adjustment as provided in Section 3.3 of the Agreement.

Vesting Schedule: Except as otherwise provided in the Plan, Agreement or any other agreement between the Company and Optionee, the Option shall vest [(i) on the first anniversary of the Option Date with respect to one-third of the number of shares subject thereto on the Option Date, (ii) on the second anniversary of the Option Date with respect to an additional one-third of the number of shares subject thereto on the Option Date and (iii) on the third anniversary of the Option Date with respect to the remaining one-third of the number of shares subject thereto on the Option Date], provided you remain continuously employed by the Company through each such date.

Expiration Date: Except to the extent earlier terminated pursuant to Section 2.2 of the Agreement or earlier exercised pursuant to Section 2.3 of the Agreement, the Option shall terminate at 5:00 p.m., Central time, on the [sixth] anniversary of the Option Date.

NAVIGANT CONSULTING, INC.

By: _____

Name:

Title:

Acknowledgment, Acceptance and Agreement :

By signing below and returning this Award Notice to Navigant Consulting, Inc. at the address stated herein, I hereby acknowledge receipt of the Agreement and the Plan, accept the Option granted to me and agree to be bound by the terms and conditions of this Award Notice, the Agreement and the Plan.

Optionee

Date

NAVIGANT CONSULTING, INC.
ATTENTION: GENERAL COUNSEL
30 S. WACKER DR., SUITE 3550
Chicago, IL 60606

NAVIGANT CONSULTING, INC.
2012 LONG-TERM INCENTIVE PLAN

Executive Officer Stock Option Agreement

Navigant Consulting, Inc., a Delaware corporation (the "Company"), hereby grants to the individual ("Optionee") named in the award notice attached hereto (the "Award Notice") as of the date set forth in the Award Notice (the "Option Date"), pursuant to the provisions of the Navigant Consulting, Inc. 2012 Long-Term Incentive Plan (the "Plan"), an option to purchase from the Company the number and class of shares of stock set forth in the Award Notice at the price per share set forth in the Award Notice (the "Exercise Price") (the "Option"), upon and subject to the terms and conditions set forth below, in the Award Notice and in the Plan. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Option Subject to Acceptance of Agreement. The Option shall be null and void unless Optionee shall accept this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Company.

2. Time and Manner of Exercise of Option.

2.1. Maximum Term of Option. In no event may the Option be exercised, in whole or in part, after the expiration date set forth in the Award Notice (the "Expiration Date").

2.2. Vesting and Exercise of Option. The Option shall become vested and exercisable in accordance with the vesting schedule set forth in the Award Notice (the "Vesting Schedule"). The Option shall be vested and exercisable following a termination of Optionee's employment with the Company according to the following terms and conditions:

(a) Termination of Employment as a Result of Optionee's Death or Disability. If Optionee's employment with the Company terminates by reason of Optionee's death or Disability, then the Option, to the extent vested on the effective date of such termination of employment, may thereafter be exercised by Optionee or Optionee's executor, administrator, legal representative, guardian or similar person until and including the earlier to occur of (i) the date which is one year after the date of such termination of employment and (ii) the Expiration Date. For purposes of this Agreement, "Disability" shall have the meaning ascribed to such term in the Optionee's employment agreement with the Company, provided that if such term is not defined therein or no such employment agreement is in effect, then "Disability" shall mean the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(b) Termination of Employment Other than for "Cause" or as a Result of Optionee's Death, Disability or Retirement. If Optionee's employment with the Company ceases for any reason other than for Cause, death, Disability or Retirement, the Option, to the extent vested on the effective date of such termination of employment, may thereafter be exercised by Optionee until and including the earlier to occur of (i) the date which is ninety (90) days after the date of such termination of employment and (ii) the Expiration Date. For purposes of this

Agreement, "Cause" shall have the meaning ascribed to such term in the Optionee's employment agreement with the Company, provided that if such term is not defined therein or no such employment agreement is in effect, then "Cause" shall mean: (i) the commission of a felony or the commission of any other crime that is injurious to the Company, to a Company employee or to a client of the Company; (ii) willful misconduct, dishonesty, fraud, attempted fraud or other willful action or willful failure to act that is injurious to the Company, to a Company employee or to a client of the Company; (iii) any material breach of fiduciary duty owed to the Company or to a client of the Company; (iv) any material breach of the terms of any agreement with the Company (including without limitation any agreement regarding non-competition, non-solicitation of clients or employees, or confidentiality); (v) any material violation of a restriction on disclosure or use of privileged, proprietary or confidential information (including information belonging to the Company, to a client of the Company or to a third party to whom the Company owes a duty of confidentiality), but only if such violation is committed with actual notice of such restriction on disclosure; or (vi) any other material breach of the Company's Code of Business Conduct and Ethics or its securities trading policies, as amended from time to time. The determination by the Committee of the existence of Cause shall be conclusive and binding

(c) Termination by Company for Cause. If Optionee's employment with the Company terminates by reason of the Company's termination of Optionee's employment for Cause, then the Option, whether or not vested, shall terminate immediately upon such termination of employment.

(d) Death Following Termination. If Optionee dies during the period set forth in Section 2.2(b), the Option shall be vested only to the extent it is vested on the date of death and may thereafter be exercised by Optionee's executor, administrator, legal representative, guardian or similar person until and including the earlier to occur of (i) the date which is one year after the date of death and (ii) the Expiration Date.

(e) Termination of Employment Following Change in Control. In the event the Optionee's employment with the Company is terminated (i) by the Company without Cause or (ii) by the Optionee with Good Reason, in each case within 24 months following a Change in Control, the Option, to the extent it is then outstanding, shall become fully vested, be subject to Section 5.8(b) of the Plan and be exercisable for the period specified in Section 2.2(b) of this Agreement. For purposes of this Agreement, "Good Reason" shall have the meaning ascribed to such term in the Optionee's employment agreement with the Company, provided that if such term is not defined therein or no such employment agreement is then in effect, then "Good Reason" means any of the following actions, events or conditions that occur without the express written consent of the Optionee: (i) removal by the Company of the Optionee's position as [], or a change such that the Optionee no longer reports to []; (ii) any material changes by the Company in the Optionee's title, functions, duties, or responsibilities which changes would cause the Optionee'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 Optionee as of Option Date; (iii) any material failure by the Company to comply with the provisions of the employment agreement, if any, between the Optionee and the Company; or (iv) any requirement made by the Company that the Optionee relocate the Optionee's residence; provided that the Optionee must provide written notice to the Board of the Optionee's intent to terminate employment for Good Reason due to the action,

event or condition described in clauses (i) through (iv) above within a period not to exceed ninety (90) days of the initial existence of the action, event or condition, and must provide the Company a period of at least thirty (30) days during which it may remedy the action, event or condition.

(f) Termination by Reason of Retirement. If the Optionee's employment with the Company is terminated by reason of "Retirement" and provided that Optionee complies with the obligations set forth in the section entitled "Obligations of the Executive During and After Employment" contained in the Optionee's employment agreement with the Company, dated as of [] (with such section being incorporated herein by reference) throughout the period specified in the Vesting Schedule, the Option shall continue to vest in accordance with the Vesting Schedule, assuming the Optionee had remained employed with the Company on each vesting date described in the Vesting Schedule. For purposes of this Agreement, a "Retirement" shall mean the Optionee's voluntarily resignation of employment from the Company and its Subsidiaries if, on the date of such resignation of employment, the sum of the Optionee's age and continuous years of service with the Company equals at least 65, with a minimum of at least five continuous years of service and a minimum age of 55. To the extent the Option becomes exercisable pursuant to this Section 2.2(f), the Option shall remain exercisable until it is terminated pursuant to Section 2.4 or the earlier termination of this Option pursuant to Section 4.8.

2.3. Method of Exercise. Subject to the limitations set forth in this Agreement, the Option may be exercised by Optionee (a) by delivering to the Company an exercise notice in the form prescribed by the Company specifying the number of whole shares of Stock to be purchased and by accompanying such notice with payment therefor in full (or by arranging for such payment to the Company's satisfaction) either (i) in cash, (ii) by delivery to the Company (either actual delivery or by attestation procedures established by the Company) of shares of Stock having an aggregate Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable pursuant to the Option by reason of such exercise, (iii) authorizing the Company to withhold whole shares of Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy such obligation, (iv) except as may be prohibited by applicable law, in cash by a broker-dealer acceptable to the Company to whom Optionee has submitted an irrevocable notice of exercise or (v) by a combination of (i), (ii) and (iii), and (b) by executing such documents as the Company may reasonably request. Any fraction of a share of Stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by Optionee. No certificate representing a share of Stock shall be issued or delivered until the full purchase price therefor and any withholding taxes thereon, as described in Section 3.3, have been paid.

2.4. Termination of Option. In no event may the Option be exercised after it terminates as set forth in this Section 2.4. The Option shall terminate, to the extent not earlier terminated pursuant to Section 2.2 or exercised pursuant to Section 2.3, on the Expiration Date. Upon the termination of the Option, the Option and all rights hereunder shall immediately become null and void.

3. Additional Terms and Conditions of Option.

3.1. Nontransferability of Option. The Option may not be transferred by Optionee other than by will or the laws of descent and distribution or pursuant to the designation of one or more beneficiaries on the form prescribed by the Company. Except to the extent permitted by the foregoing sentence, (i) during Optionee's lifetime the Option is exercisable only by Optionee or Optionee's legal representative, guardian or similar person and (ii) the Option may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Option, the Option and all rights hereunder shall immediately become null and void.

3.2. Investment Representation. Optionee hereby represents and covenants that (a) any shares of Stock purchased upon exercise of the Option will be purchased for investment and not with a view to the distribution thereof within the meaning of the Securities Act unless such purchase has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, Optionee shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of any purchase of any shares hereunder or (y) is true and correct as of the date of any sale of any such shares, as applicable. As a further condition precedent to any exercise of the Option, Optionee shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Board or the Committee shall in its sole discretion deem necessary or advisable.

3.3. Withholding Taxes. (a) As a condition precedent to the issuance of Stock upon exercise of the Option, Optionee shall, upon request by the Company, pay to the Company in addition to the purchase price of the shares, such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to such exercise of the Option. If Optionee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Optionee.

(b) Optionee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company, (2) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Stock having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments, (3) authorizing the Company to withhold whole shares of Stock which would otherwise be delivered to Optionee upon exercise of the Option having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments, (4) except as may be prohibited by applicable law, a cash payment by a broker-dealer acceptable to the

Company to whom Optionee has submitted an irrevocable notice of exercise or (5) any combination of (1), (2) and (3). Shares of Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by Optionee. No certificate representing a share of Stock shall be issued or delivered until the Required Tax Payments have been satisfied in full.

3.4. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation) that causes the per share value of shares of Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of this Award, including the number and class of securities subject to the Option and the Exercise Price shall be appropriately adjusted by the Committee, such adjustment to be made in accordance with Section 409A of the Code. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) to prevent dilution or enlargement of rights of participants. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

3.5. Clawback Provision. The Optionee acknowledges that the Optionee has read the Company's Policy on Recoupment of Incentive Compensation (the "Clawback Policy"). In consideration of the grant of the Option, the Optionee agrees to abide by the Clawback Policy and any determinations of the Board pursuant to the Clawback Policy. Without limiting the foregoing, and notwithstanding any provision of this Agreement to the contrary, the Optionee agrees that the Company shall have the right to require the Optionee to repay the value of any shares of Stock acquired upon exercise of the Option, as may be required by law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder) or in accordance with the terms of the Clawback Policy. This Section 3.5 shall survive the termination of the Optionee's employment with the Company for any reason. The foregoing remedy is in addition to and separate from any other relief available to the Company due to the Optionee's misconduct or fraud. Any determination by the Board with respect to the foregoing shall be final, conclusive and binding upon the Optionee and all persons claiming through the Optionee.

3.6. Compliance with Applicable Law. The Option is subject to the condition that if the listing, registration or qualification of the shares subject to the Option upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the purchase or issuance of shares hereunder, the Option may not be exercised, in whole or in part, and such shares may not be issued, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

3.7. Issuance or Delivery of Shares. Upon the exercise of the Option, in whole or in part, the Company shall issue or deliver, subject to the conditions of this Article 3, the number of shares of Stock purchased against full payment therefor. Such issuance shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance, except as otherwise provided in Section 3.3.

3.8. Option Confers No Rights as Shareholder. Optionee shall not be entitled to any privileges of ownership with respect to shares of Stock subject to the Option unless and until such shares are purchased and issued upon the exercise of the Option, in whole or in part, and Optionee becomes a shareholder of record with respect to such issued shares. Optionee shall not be considered a shareholder of the Company with respect to any such shares not so purchased and issued.

3.9. Option Confers No Rights to Continued Employment. In no event shall the granting of the Option or its acceptance by Optionee, or any provision of this Agreement or the Plan, give or be deemed to give Optionee any right to continued employment with the Company or affect in any manner the right of the Company to terminate the employment of any person at any time.

4. Miscellaneous Provisions.

4.1. Decisions of Board or Committee. The Board or the Committee shall have the right to resolve all questions which may arise in connection with the Option or its exercise. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

4.2. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Optionee, acquire any rights hereunder in accordance with this Agreement or the Plan.

4.3. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Navigant Consulting, Inc., Attn. General Counsel, 30 S. Wacker Dr., Suite 3550, Chicago, Illinois 60606, and if to Optionee, to the last known mailing address of Optionee contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

4.4. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not effect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

4.5. Governing Law. This Agreement, the Option and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

4.6. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

4.7. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan, and shall be interpreted in accordance therewith. Optionee hereby acknowledges receipt of a copy of the Plan, and by signing and returning the Award Notice to the Company, at the address stated herein, he or she agrees to be bound by the terms and conditions of this Agreement, the Award Notice and the Plan.

4.8. Cancellation and Forfeiture of Award. Notwithstanding anything contained in this Agreement, if the Optionee engages in any activity which constitutes Cause, breaches any of his or her obligations to the Company or any of its affiliates under a noncompetition, nonsolicitation, confidentiality, intellectual property or other restrictive covenant or engages in any activity which is contrary, inimical or harmful to the Company or any of its affiliates, including but not limited to violations of Company policy to the extent then applicable to the Optionee, the Company may take such action as it shall deem appropriate to cause the Award to be cancelled and to cease to be exercisable as of the date on which the Optionee first engaged in such activity or breached such obligation, and the Company thereafter may require the repayment of any amounts received by the Optionee in connection with the exercise of the Award following the date that the Optionee first engaged in such activity or breached such obligation.

**FIRST AMENDMENT TO
NON-QUALIFIED STOCK OPTION AWARD**

This Amendment (the "Amendment") is made and entered into as of this [] day of [], 2014 by and between Navigant Consulting, Inc., a Delaware corporation (the "Company"), and William Goodyear (the "Participant") as an amendment to the Non-Qualified Stock Option Award Agreement between the Company and the Participant, dated as of [] (the "Award"), granted pursuant to the provisions of the Navigant Consulting, Inc. 2005 Long-Term Incentive Plan.

WHEREAS, pursuant to Section II.I of the Award, the provisions of the Award may be amended by a written agreement between the Company and the Participant; and

WHEREAS, in connection with the retirement of the Participant and in recognition of the Participant's years of service with the Company, the Company desires to amend the Award to extend the exercise period following a termination of employment.

NOW, THEREFORE, BE IT RESOLVED, that the Award hereby is amended, effective as of [], 2014, as follows:

1. Section I is amended by replacing the phrase "or, if earlier, three months after termination of employment or service" with the phrase "or, if earlier, the period provided in Section II.B.3 below" where it appears therein.
2. Section II.B.3 of the Award is amended and restated as follows:
 - (a) If the Optionee's employment or service with the Company ceases for any reason other than death, disability or termination for "cause" on or prior to April 30, 2014, the Optionee shall be permitted to exercise the Option, to the extent it was exercisable on the date of such cessation, but only within 12 months of such cessation, or, if earlier, within the originally prescribed term of the Option as shown in Section I above; provided, however, that if the Optionee dies or becomes disabled within the three month period after the termination of such service, or, if earlier, within the originally prescribed term of the Option, the Optionee or the Optionee's estate or personal representative may exercise the Option within 12 months after the date of the Optionee's death or disability, but in no event beyond the originally prescribed term of the Option.
 - (b) If the Optionee remains continuously employed by the Company through April 30, 2014 (the "Retirement Date"), the Optionee or the Optionee's estate or personal representative (in the event of the Optionee's death or disability on or after the Retirement Date) shall be permitted to exercise the Option, to the extent it was exercisable on such date, within 12 months of the Retirement Date, or, if earlier, within the originally prescribed term of the Option as shown in Section I above.

IN WITNESS WHEREOF, the Company has caused this Amendment to be signed by its duly authorized representative and the Participant has signed this Amendment as of the day and year first above written.

NAVIGANT CONSULTING, INC.

By:

Name:

Title:

William Goodyear

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Julie M. Howard, certify that:

1. I have reviewed this report on Form 10-Q of Navigant Consulting, Inc., the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JULIE M. HOWARD

Julie M. Howard
Chairman and Chief Executive Officer

April 30, 2014

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Lucinda M. Baier, certify that:

1. I have reviewed this report on Form 10-Q of Navigant Consulting, Inc., the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LUCINDA M. BAIER

Lucinda M. Baier
Executive Vice President and
Chief Financial Officer

April 30, 2014

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, Julie M. Howard, Chief Executive Officer of Navigant Consulting, Inc. (the "Company"), and Lucinda M. Baier, Executive Vice President and Chief Financial Officer of the Company, in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2014 (the "Report"), hereby certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JULIE M. HOWARD

Julie M. Howard
Chairman and Chief Executive Officer

April 30, 2014

/s/ LUCINDA M. BAIER

Lucinda M. Baier
Executive Vice President and
Chief Financial Officer

April 30, 2014

