

NORTHEAST BANCORP /ME/
Form 425
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NORTHEAST
BANCORP

FOR IMMEDIATE RELEASE

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NORTHEAST BANCORP SHAREHOLDERS APPROVE MERGER

WITH FHB FORMATION LLC

Lewiston, MAINE (July 27, 2010) - Northeast Bancorp (“Northeast”), the holding company for Maine-based, Northeast Bank, today announced that the shareholders of Northeast approved the merger of FHB Formation, LLC with and into Northeast. The number of shares of Northeast common stock voting to approve the merger agreement represented approximately 75 percent of the total number of shares outstanding and entitled to vote. Completion of the merger is subject to customary closing conditions, as well as the approval of various regulatory agencies.

Jim Delamater, President and CEO of Northeast said, “We are very pleased that 75% of our shareholders approved the transaction. This vote is an important step in ensuring Northeast’s future success, providing even greater opportunities for our customers, employees, shareholders and our region in the years ahead.”

ABOUT NORTHEAST BANCORP

Northeast Bancorp (NASDAQ: NBN) is the holding company for Northeast Bank, a leader in delivering one-stop shopping for financial services, headquartered in Lewiston, Maine. Northeast has approximately \$612 million in assets as of March 31, 2010 and derives its income from a combination of traditional banking services and non-traditional financial products and services including insurance and investments, operating 10 traditional bank branches, 12 insurance offices and three investment centers that serve western, central, mid-coastal and southern Maine, as well as seacoast New Hampshire. Information regarding Northeast Bank Insurance Group, Inc. and Northeast Bank can be found at www.northeastbank.com or by contacting 800-284-5989.

ABOUT FHB FORMATION LLC

FHB Formation LLC, an entity created for this investment, is led by a highly experienced team of executives with a significant track record of growth and success in financial services. Richard Wayne is Chief Executive Officer of FHB. Previously, Mr. Wayne co-founded Capital Crossing Bank in 1988 and served as President and Co-Chief Executive Officer from 1991 until its sale in 2007. Claire S. Bean is FHB’s Chief Financial Officer and Chief Operating Officer. She has a 25-year track record in financial services, most recently as Executive Vice President and Chief Financial Officer of Benjamin Franklin Bancorp until its sale in 2009. Heather P. Campion is FHB’s Chief Administrative Officer. She has over 25 years of experience as a leading executive in the public and private sectors, and was the Group Executive Vice President and Director of Corporate Affairs at Citizens Financial Group from 1998-2007.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The forward-looking statements contained in this document include statements concerning the proposed transaction. These statements are not guarantees of future performance, involve certain risks, uncertainties and assumptions that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate. Therefore, actual outcomes and results may differ materially from what is expressed herein. For example, if Northeast fails to satisfy other conditions to closing, the transaction may not be consummated. The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: risks associated with uncertainty as to whether the transaction will be completed, costs and potential litigation associated with the transaction, the failure of either party to meet the closing conditions set forth in the merger agreement, the extent and timing of regulatory approvals and the other risk factors discussed from time to time by Northeast in reports filed with the Securities and Exchange Commission (the “SEC”). We urge you to carefully consider the risks which are described in Northeast’s Annual Report on Form 10-K for the year ended June 30, 2009 and in Northeast’s other SEC filings. Northeast is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

Additional Information about the Transaction

In connection with the proposed merger, Northeast has filed with the SEC a registration statement on Form S-4 containing a proxy statement/prospectus dated June 14, 2010, which has been mailed to Northeast shareholders. Investors and shareholders of Northeast are urged to read the proxy statement/prospectus filed with the SEC because it contains important information about Northeast and the proposed transaction. The proxy statement/prospectus and any other documents filed by Northeast with the SEC may be obtained free of charge at the SEC’s website at www.sec.gov. In addition, investors and security holders may obtain free copies of the documents filed with the SEC by Northeast by contacting Northeast at www.northeastbank.com.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities.

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1,772

10,655

Percentage change in segment operating income

from prior year

-110.8

%

69.4

%

-83.4

%

28.0

%

Add back:

Depreciation and amortization of intangible assets

1,496

1,450

3,060

2,913

Special Charges

3,599

—

3,599

—

Fair value remeasurement of contingent consideration

536

—

702

980

Adjusted Segment EBITDA

\$

4,876

\$

8,440

\$

9,133

\$

14,548

Gross profit ⁽¹⁾

\$

15,760

\$

19,651

\$

30,840

\$

36,780

Percentage change in gross profit from prior year

-19.8

%

22.9

%

-16.2

%

15.8

%

Gross profit margin ⁽²⁾

34.1

%

39.4

%

34.3

%

38.7

%

Adjusted Segment EBITDA as a percent of revenues

10.5

%

16.9

%

10.2

%

15.3

%

Number of revenue-generating professionals (at period
end)

659

606

659

606

Percentage change in number of revenue-generating
professionals from prior year

8.7

%

10.0

%

8.7

%

10.0

%

(1) Revenues less direct cost of revenues

(2) Gross profit as a percent of revenues

Three Months Ended June 30, 2017 Compared with Three Months Ended June 30, 2016

Revenues decreased \$3.7 million, or 7.4%, to \$46.2 million for the three months ended June 30, 2017, which included 3.4% estimated negative impact from FX. Excluding the estimated impact of FX, revenues decreased by \$2.0 million, or 4.0%, driven by lower project based revenues in financial communications and corporate reputation engagements in North America, partially offset by higher retainer based revenues.

Gross profit decreased \$3.9 million, or 19.8%, to \$15.8 million for the three months ended June 30, 2017. Gross profit margin decreased 5.3 percentage points for the three months ended June 30, 2017. The decrease in gross profit margin was primarily due to fewer large scale high margin, project engagements and a higher proportion of lower margin pass-through income.

SG&A expenses decreased \$0.3 million, or 2.8%, to \$11.2 million for the three months ended June 30, 2017. SG&A expenses were 24.2% of revenue for the three months ended June 30, 2017 compared with 23.1% for the three months ended June 30, 2016.

Six Months Ended June 30, 2017 Compared with Six Months Ended June 30, 2016

Revenues decreased \$5.1 million, or 5.3%, to \$90.0 million for the six months ended June 30, 2017, which included 3.8% estimated negative impact from FX. Excluding the estimated impact from FX, revenues decreased by \$1.4 million, or 1.5%, driven by lower project based revenues in financial communications in North America, which was partially offset by higher retainer-based revenues in all regions and higher project based revenues in EMEA, particularly in public affairs related engagements.

Gross profit decreased \$5.9 million, 16.2%, to \$30.8 million for the six months ended June 30, 2017. Gross profit margin decreased 4.4 percentage points for the six months ended June 30, 2017. The decrease was primarily due to fewer high margin, large project engagements in North America as well as higher compensation as a result of increased headcount.

SG&A expenses decreased \$0.5 million, or 2.3%, to \$22.4 million for the six months ended June 30, 2017. SG&A expenses were 24.9% of revenue for the six months ended June 30, 2017 compared with 24.1% for the six months ended June 30, 2016.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Note 1 to the Consolidated Financial Statements included in Part II, Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC describes the significant accounting policies and methods used in preparation of the Consolidated Financial Statements. We evaluate our estimates, including those related to allowance for doubtful accounts and unbilled services, goodwill, income taxes and contingencies on an ongoing basis. We base our estimates on current facts and circumstances, historical experience and on various other assumptions that we believe are reasonable. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Revenue recognition
- Allowance for doubtful accounts and unbilled services
- Goodwill and other intangible assets
- Income taxes

There have been no material changes to our critical accounting policies and estimates from the information provided in “Critical Accounting Policies” in Part II, Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

Goodwill and Other Intangible Assets

On a quarterly basis, we monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test of our goodwill and intangible assets. Factors we consider important that could trigger an interim impairment review include, but are not limited to, the following: significant underperformance relative to historical or projected future operating results; a significant change in the manner of our use of the acquired asset or strategy for our overall business; a significant negative industry or economic trend; and our market capitalization relative to net book value. When we evaluate these factors and determine that a triggering event has occurred, we perform an interim impairment analysis.

As of October 1, 2016, the date of our last annual goodwill impairment test, the estimated fair value of each of our reporting units significantly exceeded their respective carrying values and no further testing was required. Through

our quarterly assessment, we determined that there were no events or circumstances that more likely than not would reduce the fair value of any of our reporting units below their carrying value.

There can be no assurance that the estimates and assumptions used in our goodwill impairment testing will prove to be accurate predictions of the future. If our assumptions regarding forecasted cash flows are not achieved, we may be required to perform the two-step quantitative goodwill impairment analysis prior to our next annual impairment test. In addition, if the aforementioned factors have the effect of changing one of the critical assumptions or estimates we use to calculate the value of our goodwill or intangible assets, we may be required to record goodwill and/or intangible asset impairment charges in future periods, whether in connection with our next annual impairment test or if a triggering event occurs outside of the quarter during which the annual goodwill impairment test is performed. It is not possible at this time to determine if any future impairment charge would result or, if it does, whether such charge would be material.

SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

See Note 3, “New Accounting Standards” in Part I, Item 1, of this Quarterly Report on Form 10-Q.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash flows	Six Months Ended June 30,	
	2017	2016
	(dollars in thousands)	
Net cash (used) provided by operating activities	\$ (82,200)	\$ 40,633
Net cash used in investing activities	\$ (13,055)	\$ (11,943)
Net cash provided by financing activities	\$ 15,170	\$ 8,853
DSO	103	100

We have generally financed our day-to-day operations, capital expenditures and acquisitions through cash flows from operations. During the first quarter of our fiscal year, our cash needs generally exceed our cash flows from operations due to the payment of annual incentive compensation. Our operating cash flows are generally positive subsequent to the first quarter of each year.

Our operating assets and liabilities consist primarily of billed and unbilled accounts receivable, notes receivable from employees, accounts payable, accrued expenses and accrued compensation expenses. The timing of billings and collections of receivables, as well as compensation and vendor payments, affect the changes in these balances.

DSO is a performance measure used to assess how quickly revenues are collected by the Company. We calculate DSO at the end of each reporting period by dividing net accounts receivable reduced by billings in excess of services provided, by revenues for the quarter, adjusted for changes in foreign exchange rates. We multiply the result by the number of days in the quarter.

Six Months Ended June 30, 2017 Compared with Six Months Ended June 30, 2016

Net cash used in operating activities for the six months ended June 30, 2017 was \$82.2 million compared with net cash provided by operating activities of \$40.6 million for the six months ended June 30, 2016. The decrease in net cash provided by operating activities was primarily due to

- lower cash collections as a result of lower revenues and higher DSO's (DSO was 103 days at June 30, 2017 and 100 days at June 30, 2016);
- increased annual bonus payments; and
- increased salaries and benefits payments due to annual wage increases, higher year-over-year headcount and the timing of an additional payroll in the first half of 2017 as compared with 2016.

Net cash used in investing activities for the six months ended June 30, 2017 was \$13.1 million compared with net cash used in investing activities of \$11.9 million for the six months ended June 30, 2016. Capital expenditures were \$13.1 million for the six months ended June 30, 2017 compared with \$12.0 million for the six months ended June 30, 2016.

Net cash provided by financing activities for the six months ended June 30, 2017 was \$15.2 million compared with \$8.9 million for the six months ended June 30, 2016. Cash used in financing activities in the six months ended June 30, 2017 included \$115.0 million of net borrowings under our Senior Bank Credit Facility, payments of \$102.5

million used to settle repurchases of our common stock and \$3.2 million of refundable deposits related to one of our foreign entities. Our financing activities for the six months ended June 30, 2016 included \$9.4 million in cash received from the issuance of common stock under our equity compensation plan, the receipt of \$2.6 million of refundable deposits related to one of our foreign entities and payments of \$2.9 million to settle repurchases of our common stock.

Capital Resources

As of June 30, 2017, our capital resources included \$138.5 million of cash and cash equivalents and available borrowing capacity of \$364.3 million under our Senior Bank Credit Facility. As of June 30, 2017, we had \$185.0 million of borrowing outstanding under our Senior Bank Credit Facility and \$0.7 million of outstanding letters of credit, which reduced the availability of borrowings. We primarily use letters of credit in lieu of security deposits for our leased office facilities.

Future Capital Needs

We anticipate that our future capital needs will principally consist of funds required for:

- operating and general corporate expenses relating to the operation of our businesses;
- capital expenditures, primarily for information technology equipment, office furniture and leasehold improvements;
- debt service requirements, including interest payments on our long-term debt;
- compensating designated executive management and senior managing directors under our various long-term incentive compensation programs;
- discretionary funding of the Stock Repurchase Program;
- contingent obligations related to our acquisitions;
- potential acquisitions of businesses that would allow us to diversify or expand our service offerings; and
- other known future contractual obligations.

During the six months ended June 30, 2017, we spent \$13.1 million in capital expenditures to support our organization, including direct support for specific client engagements. We expect to make additional capital expenditures in an aggregate amount between \$20 million and \$30 million for the remainder of 2017. Our estimate takes into consideration the needs of our existing businesses but does not include the impact of any purchases that we may be required to make as a result of future acquisitions or specific client engagements that are not currently contemplated. Our capital expenditure requirements may change if our staffing levels or technology needs change significantly from what we currently anticipate, if we are required to purchase additional equipment specifically to support new client engagements or if we pursue and complete additional acquisitions.

Our cash flows from operations have historically exceeded our cash needs for capital expenditures and debt service requirements. We believe that our cash flows from operations, supplemented by borrowings under our Senior Bank Credit Facility, as necessary, will provide adequate cash to fund our long-term cash needs from normal operations for the next 12 months or longer.

Our conclusion that we will be able to fund our cash requirements by using existing capital resources and cash generated from operations does not take into account the impact of any unanticipated capital expenditures, future acquisitions, unexpected significant changes in numbers of employees or other unanticipated uses of cash. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that may have a material effect on the cash flow or profitability of our business, including material negative changes in the operating performance or financial results of our business. Any of these events or circumstances, including any new business opportunities, could involve significant additional funding needs in excess of the identified currently available sources and could require us to raise additional debt or equity funding to meet those needs. Our ability to raise additional capital, if necessary, is subject to a variety of factors that we cannot predict with certainty, including:

- our future profitability;
- the quality of our accounts receivable;
- our relative levels of debt and equity;
- the volatility and overall condition of the capital markets; and
- the market prices of our securities.

Any new debt funding, if available, may be on terms less favorable to us than our Senior Bank Credit Facility or the Indenture that governs our senior notes due 2022. See “Forward-Looking Statements” and “Risk Factors” in Part II, Item 1A, of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than operating leases, and we have not entered into any transactions involving unconsolidated subsidiaries or special purpose entities.

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Future Contractual Obligations

There have been no significant changes in our future contractual obligations information as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve uncertainties and risks. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues, future results and performance, future capital allocations and expenditures, expectations, plans or intentions relating to acquisitions, share repurchases and other matters, business trends and other information that is not historical. Forward-looking statements often contain words such as “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts” and variations of such words or similar expressions. All forward-looking statements, including, without limitation, management’s financial guidance and examination of operating trends, are based upon our historical performance and our current plans, estimates and expectations at the time we make them and various assumptions. There can be no assurance that management’s expectations, beliefs and projections will result or be achieved. Our actual financial results, performance or achievements could differ materially from those expressed in, or implied by, any forward-looking statements. The inclusion of any forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Given these risks, uncertainties and other factors, you should not place undue reliance on any forward-looking statements.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in, or implied by, this Quarterly Report on Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report on Form 10-Q include those set forth under the heading “Risk Factors” in Part II, Item 1A, of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 filed with the SEC. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report on Form 10-Q include, but are not limited to, the following:

- changes in demand for our services;
- our ability to attract and retain qualified professionals and senior management;
- conflicts resulting in our inability to represent certain clients;
- our former employees joining or forming competing businesses;
- our ability to manage our professionals’ utilization and billing rates and maintain or increase the pricing of our services and products;
- our ability to identify suitable acquisition candidates, negotiate favorable terms, take advantage of opportunistic acquisition situations and integrate the operations of acquisitions as well as the costs of integration;
- our ability to adapt to and manage the risks associated with operating in non-U.S. markets;
- our ability to replace key personnel, including former executives, officers, senior managers and practice and regional leaders who have highly specialized skills and experience;
- our ability to protect the confidentiality of internal and client data and proprietary and confidential information;
- legislation or judicial rulings, including rulings regarding data privacy and the discovery process;
- periodic fluctuations in revenues, operating income and cash flows;
- damage to our reputation as a result of claims involving the quality of our services;
- fee discounting or renegotiation, lower pricing, less advantageous contract terms and unexpected terminations of client engagements;
- competition for clients and key personnel;

• general economic factors, industry trends, restructuring and bankruptcy rates, legal or regulatory requirements, capital market conditions, merger and acquisition activity, major litigation activity and other events outside of our control;

• our ability to manage growth;

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- risk of non-payment of receivables;
- the amount and terms of our outstanding indebtedness;
- headcount and cost reductions during periods of reduced demand;
- risks relating to the obsolescence of, changes to, or the protection of, our proprietary software products and intellectual property rights;
 - foreign currency disruptions and currency fluctuations between the U.S. dollar and foreign currencies; and
- fluctuations in the mix of our services and the geographic locations in which our clients are located or our services are rendered.

There may be other factors that may cause our actual results to differ materially from our forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included herein. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances and do not intend to do so.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For information regarding our exposure to certain market risks see “Quantitative and Qualitative Disclosures about Market Risk” in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC. There have been no significant changes in our market risk exposure during the period covered by this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. An evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (a) were effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) included, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There have not been any changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2017 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

From time to time in the ordinary course of business, we are subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation, in general, and intellectual property and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty and in the case of more complex legal proceedings such as intellectual property and securities litigation, the results are difficult to predict at all. We are not aware of any asserted or unasserted legal proceedings or claims that we believe would have a material adverse effect on our financial condition or results of our operations.

Item 1A. Risk Factors

A restated description of the risk factors associated with our business is set forth below. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission on February 18, 2017. If any of the following risks occur, our business, financial condition, operating results, and cash flows could be materially adversely affected. We may disclose changes to risk factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to Our Reportable Segments

Changes in capital markets, M&A activity, legal or regulatory requirements, general economic conditions and monetary or geo-political disruptions, as well as other factors beyond our control, could reduce demand for our practice offerings or services, in which case our revenues and profitability could decline.

Different factors outside of our control could affect demand for a segment's practices and our services. These include:

- fluctuations in U.S. and/or global economies, including economic recessions and the strength and rate of any general economic recoveries;
- the U.S. or global financial markets and the availability, costs and terms of credit and credit modifications;
- the level of leverage incurred by countries or businesses;
- M&A activity;
- frequency and complexity of significant commercial litigation;
- overexpansion by businesses causing financial difficulties;
- business and management crises, including the occurrence of alleged fraudulent or illegal activities and practices;
- new and complex laws and regulations, repeals of existing laws and regulations or changes of enforcement of laws, rules and regulations, including antitrust/competition reviews of proposed M&A transactions;
- other economic, geographic or political factors; and
- general business conditions.

We are not able to predict the positive or negative effects that future events or changes to the U.S. or global economies will have on our business or the business of any particular segment. Fluctuations, changes and disruptions in financial, credit, M&A and other markets, political instability and general business factors could impact various segments' operations and could affect such operations differently. Changes to factors described above, as well as other events, including by way of example, contractions of regional economies, or the economy of a particular country, monetary systems, banking, real estate and retail or other industries; debt or credit difficulties or defaults by businesses or countries; new, repeals of or changes to laws and regulations, including changes to the bankruptcy and competition laws of the U.S. or other countries; tort reform; banking reform; a decline in the implementation or adoption of new

laws of regulation, or in government enforcement, litigation or monetary damages or remedies that are sought; or political instability may have adverse effects on one or more of our segments or service, practice or industry offerings.

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

We experience fluctuations in our revenues and cost structure and the resulting operating income and cash flows and expect that this will continue to occur in the future. We experience fluctuations in our annual and quarterly financial results, including revenues, operating income and earnings per share, for reasons that include (i) the types and complexity, number, size, timing and duration of client engagements; (ii) the timing of revenue recognition under GAAP; (iii) the utilization of revenue-generating professionals, including the ability to adjust staffing levels (including new hires or reductions) to accommodate the business and prospects of the applicable segment and practice;; (iv) the time it takes before a new hire becomes profitable; (v) the geographic locations of our clients or the locations where services are rendered; (vi) billing rates and fee arrangements, including the opportunity and ability to successfully reach milestones and complete, and collect success fees and other outcome-contingent or performance-based fees; (vii) the length of billing and collection cycles and changes in bad debt rates; (viii) changes in the frequency and complexity of government regulatory and enforcement activities; (ix) business and asset acquisitions; (x) fluctuations in the exchange rates of various currencies against the U.S. dollar; and (xi) economic factors beyond our control.

The results of different segments and practices may be affected differently by the above factors. Certain of our practices, particularly our substantial restructuring practice, tend to experience their highest demand during periods when market and/or industry conditions are less favorable for many businesses. For example, in periods of limited credit availability, reduced M&A activity and/or declining business and/or consumer spending, while not always the case, there may be increased restructuring opportunities that will cause our restructuring practice to experience high demand. On the other hand, those same factors may cause a number of our other segments and practices, such as our antitrust and competition practice in Economic Consulting and our transaction advisory services practice in Corporate Finance & Restructuring to experience reduced demand. The positive effects of certain events or factors on certain segments and practices may not be sufficient to overcome the negative effects of those same events or factors on other parts of our business. In addition, our mix of practice offerings adds complexity to the task of predicting revenues and results of operations and managing our staffing levels and expenditures across changing business cycles and economic environments.

Our results are subject to seasonal and similar factors, such as during the fourth quarter when our professionals and our clients typically take vacations. We may also experience fluctuations in our operating income and related cash flows because of increases in employee compensation, including changes to our incentive compensation structure and the timing of incentive payments, which we generally pay during the first quarter of each year, or hiring or retention payments which are paid throughout the year. Also, the timing of investments or future acquisitions and the cost of integrating them may cause fluctuations in our financial results, including operating income and cash flows. This volatility makes it difficult to forecast our future results with precision and to assess accurately whether increases or decreases in any one or more quarters are likely to cause annual results to exceed or fall short of previously issued guidance. While we assess our annual guidance at the end of each quarter and update such guidance when we think it is appropriate, unanticipated future volatility can cause actual results to vary significantly from our guidance, even where that guidance reflects a range of possible results and has been updated to take account of partial-year results.

If we do not effectively manage the utilization of our professionals or billable rates, our financial results could decline.

Our failure to manage the utilization of our professionals who bill on an hourly basis, or maintain or increase the hourly rates we charge our clients for our services, could result in adverse consequences, such as non- or lower-revenue-generating professionals, increased employee turnover, fixed compensation expenses in periods of declining revenues, the inability to appropriately staff engagements (including adding or reducing staff during periods of increased or decreased demand for our services), or special charges associated with reductions in staff or operations. Reductions in workforce or increases of billable rates will not necessarily lead to savings. In such events,

our financial results may decline or be adversely impacted. A number of factors affect the utilization of our professionals. Some of these factors we cannot predict with certainty, including general economic and financial market conditions; the complexity, number, type, size and timing of client engagements; the level of demand for our services; appropriate professional staffing levels, in light of changing client demands and market conditions; utilization of professionals across segments and geographic regions; competition and acquisitions.

Segments may enter into engagements which involve more complicated non-time and material arrangements, such as fixed fees and time and materials with caps. Failure to effectively manage professional hours and other aspects of alternative fee engagements may result in the costs of providing such services exceeding the fees collected by the Company. Failure to successfully complete or reach milestones with respect to contingent fee or success fee assignments may also lead to lower revenues or the costs of providing services under those types of arrangements exceeding the fees collected by the Company.

Factors that could negatively affect utilization in our Corporate Finance & Restructuring segment include the completion of bankruptcy proceedings; the timing of the completion of other engagements; fewer and smaller restructuring (including bankruptcy) cases; a recovering or strong economy; easy credit availability; low interest rates; and fewer, smaller and less complex M&A and restructuring activity, or less capital markets activity. Factors that could negatively affect utilization in our Forensic and Litigation

Consulting segment include the settlement of litigation; less frequent instances of significant mismanagement, fraud, wrongdoing or other business problems that could result in fewer or less complex business engagements; fewer and less complex legal disputes; fewer class action suits; the timing of the completion of engagements; less government regulation or fewer regulatory investigations; and the timing of government investigations and litigation. Factors that could adversely affect utilization in our Economic Consulting segment include fewer, smaller and less complex M&A activity; less capital markets activity or fewer complex transactions, a reduced number of regulatory filings and less litigation, reduced or less aggressive antitrust and competition regulation or enforcement; fewer government investigations and proceedings; and the timing of client utilization of our services. Our global expansion into or within locations where we are not well-known or where demand for our services is not well-developed could also contribute to low or lower utilization rates in certain locations. Factors that could adversely affect our Technology segment's utilization include the settlement of litigation and a decline in and less complex litigation proceedings and governmental investigations. Factors that could adversely affect our Strategic Communications segment's utilization include a decline in M&A or capital markets activity; fewer event-driven crises affecting businesses; fewer public securities offerings, and general economic decline that may reduce certain discretionary spending by clients.

Our segments may face risks of fee non-payment, clients may seek to renegotiate existing fees and contract arrangements, and clients may not accept billable rate or price increases, which could result in loss of clients, fee write-offs, reduced revenues and less profitable business.

Our segments are engaged by certain clients who are experiencing or anticipate experiencing financial distress or are facing complex challenges that could result in financial liabilities. This may be true in light of general economic conditions; lingering effects of past economic slowdowns or recession; or business- or operations-specific reasons. Such clients may not have sufficient funds to continue operations or to pay for our services. We typically do not receive retainers before we begin performing services on a client's behalf in connection with a significant number of engagements in our segments. In the cases where we have received retainers, we cannot assure the retainers will adequately cover our fees for the services we perform on behalf of these clients. With respect to bankruptcy cases, bankruptcy courts have the discretion to require us to return all, or a portion of, our fees.

We may receive requests to discount our fees or to negotiate lower rates for our services and to agree to contract terms relative to the scope of services and other terms that may limit the size of an engagement or our ability to pass through costs. We consider these requests on a case-by-case basis. We have been receiving these types of requests and negotiations more frequently and expect this to continue in the future. In addition, our clients and prospective clients may not accept rate increases that we put into effect or plan to implement in the future. Fee discounts, pressure not to increase or even decrease our rates, and less advantageous contract terms could result in the loss of clients, lower revenues and operating income, higher costs and less profitable engagements. More discounts or write-offs than we expect in any period would have a negative impact on our results of operations. There is no assurance that significant client engagements will be renewed or replaced in a timely manner or at all, or that they will generate the same volume of work or revenues, or be as profitable as past engagements.

Certain of our clients prefer fixed and other alternative fee arrangements that place cost ceilings or other limitations on our fee structure or may shift more of our revenue-generating potential to back-end contingent and success fee arrangements. With respect to such alternative fee arrangements, we may discount our rates initially, which could mean that the cost of providing services exceeds the fees collected by the Company during all or a portion of the term of the engagement. In such cases, the Company's failure to manage the engagement efficiently or collect the success or performance fees could expose the Company to a greater risk of loss on such engagement than other fee arrangements or may cause variations in the Company's revenues and operating results due to the timing of achieving the performance-based criteria, if achieved at all. A segment's ability to service clients with these fee arrangements at a cost that does not directly correlate to time and materials may negatively impact or result in a loss of the profitability of such engagements, adversely affecting the financial results of the segment.

Our Technology segment faces certain risks, including (i) industry consolidation and a heightened competitive environment, (ii) client concentration, (iii) downward pricing pressure, (iv) technology changes and obsolescence, (v) failure to protect client information against cyber-attacks and (vi) failure to protect IP used by the segment, which individually or together could cause the financial results and prospects of this segment and the Company to decline.

Our Technology segment is facing significant competition from other consulting and/or software providers specializing in e-discovery, ESI and the management of electronic content. There continues to be significant consolidation of companies providing products and services similar to those offered by our Technology segment, which may provide competitors access to greater financial and other resources than those of the Company. This industry is subject to significant and rapid innovation. Larger competitors may be able to invest more in research and development, react more quickly to new regulatory or legal requirements and other changes, or innovate more quickly and efficiently. Our Ringtail[®] software has been facing significant competition from competing software products, which are offered on a commodity basis through licensing as opposed to our historical integrated product and consulting service offering.

Our Technology segment relies on a few clients for a greater proportion of its revenues than our other segments. For the year ended December 31, 2016, two clients of our Technology segment accounted for approximately 12% and 11%, respectively, of the segment's annual revenues.

Our Technology segment has been experiencing increasing competition from companies providing similar services at lower prices, particularly with respect to hosting and e-discovery services.

The success of our Technology segment and its ability to compete depends significantly on our technology and other IP, including our proprietary Ringtail[®] software, Acuity[®] e-discovery offering, and other proprietary information and IP rights. The software and products of our Technology segment are subject to rapid technological innovation. There is no assurance that we will successfully develop new versions of our Ringtail[®] software or other products. Our software may not keep pace with necessary changes and innovation. There is no assurance that new, innovative or improved software or products will be developed, compete effectively with the software and technology developed and offered by competitors, be price competitive with other companies providing similar software or products, or be accepted by our clients or the marketplace. If our Technology segment is unable to develop and offer competitive software and products or is otherwise unable to capitalize on market opportunities, the impact could adversely affect our operating margins and financial results.

Our reputation for providing secure information storage and maintaining the confidentiality of proprietary, confidential and trade secret information is critical to the success of our Technology segment, which hosts client information as a service. We routinely face cyber-based attacks and attempts by hackers and similar unauthorized users to gain access to or corrupt our information technology systems, which so far have been unsuccessful. Such attacks could disrupt our business operations, cause us to incur unanticipated losses or expenses, and result in unauthorized disclosures of confidential or proprietary information. We expect to continue to face such attempts. Although we seek to prevent, detect and investigate these network security incidents, and have taken steps to mitigate the likelihood of network security breaches, there can be no assurance that attacks by unauthorized users will not be attempted in the future or that our security measures will be effective.

We rely on a combination of copyrights, trademarks, patents, trade secrets, confidentiality and other contractual provisions to protect our assets. Our Ringtail[®] software and related documentation are protected principally under trade secret and copyright laws, which afford only limited protection, and the laws of some foreign jurisdictions provide less protection for our proprietary rights than the laws of the U.S. Certain aspects of our Technology segment software are protected by patents granted in the U.S. and foreign jurisdictions. Unauthorized use and misuse of our IP by employees or third parties could have a material adverse effect on our business, financial condition and results of operations. The available legal remedies for unauthorized or misuse of our IP may not adequately compensate us for the damages caused by unauthorized use.

If we (i) fail to compete effectively, including by offering our software and services at a competitive price, (ii) are unable to keep pace with industry innovation and user requirements, (iii) are unable to replace clients or revenues as engagements end or are canceled or the scope of engagements are curtailed, or (iv) are unable to protect our clients' or our own IP and proprietary information, the financial results and profitability of this segment and the Company would be adversely affected. There is no assurance that we can replace clients or the revenues from engagements, eliminate the costs associated with those engagements, find other engagements to utilize our professionals, develop competitive products or services that will be accepted or preferred by users, offer our products and services at competitive prices, or continue to maintain the confidentiality of our IP and the information of our clients.

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

We experience fluctuations in growth of our different segments, practices or services, including periods of rapid or declining growth. Periods of rapid expansion may strain our management team, or human resources and information systems. To manage growth successfully, we may need to add qualified managers and employees and periodically update our operating, financial and other systems, as well as our internal procedures and controls. We also must effectively motivate, train and manage a larger professional staff. If we fail to add or retain qualified managers, employees and contractors when needed, estimate costs, or manage our growth effectively, our business, financial results and financial condition may suffer.

We cannot assure that we can successfully manage growth through acquisitions and the integration of the companies and assets we acquire or that they will result in the financial, operational and other benefits that we anticipate. Some acquisitions may not be immediately accretive to earnings, and some expansion may result in significant expenditures.

In periods of declining growth, underutilized employees and contractors may result in expenses and costs being a greater percentage of revenues. In such situations, we will have to weigh the benefits of decreasing our workforce or limiting our service offerings and saving costs against the detriment that the Company could experience from losing valued professionals and their industry expertise and clients.

Risks Related to Our Operations

Our international operations involve special risks.

Our international operations involve financial and business risks that differ from or are in addition to those faced by our U.S. operations, including:

- cultural and language differences;
- limited “brand” recognition;
- different employment laws and rules, employment or service contracts, compensation methods, and social and cultural factors that could result in employee turnover, lower utilization rates, higher costs and cyclical fluctuations in utilization that could adversely affect financial and operating results;
- foreign currency disruptions and currency fluctuations between the U.S. dollar and foreign currencies that could adversely affect financial and operating results;
- different legal and regulatory requirements and other barriers to conducting business;
- greater difficulties in resolving the collection of receivables when legal proceedings are necessary;
- greater difficulties in managing our non-U.S. operations, including client relationships, in certain locations;
- disparate systems, policies, procedures and processes;
- failure to comply with the FCPA and anti-bribery laws of other jurisdictions;
- higher operating costs;
- longer sales and/or collections cycles;
- restrictions or adverse tax consequences for the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses and importation or withholding taxes;
- different or less stable political and/or economic environments; and
- civil disturbances or other catastrophic events that reduce business activity.

If we are not able to quickly adapt to or effectively manage our operations in geographic markets outside the U.S., our business prospects and results of operations could be negatively impacted.

Failure to comply with governmental, regulatory and legal requirements or with our company-wide Code of Ethics and Business Conduct, Anti-Corruption Policy, Policy on Inside Information and Insider Trading, and other policies could lead to governmental or legal proceedings that could expose us to significant liabilities and damage our reputation.

We have a robust Code of Ethics and Business Conduct, Anti-Corruption Policy, Policy on Inside Information and Insider Trading, and other policies and procedures that are designed to educate and establish the standards of conduct that we expect from our executive officers, outside directors, employees, and independent consultants and contractors. These policies require strict compliance with U.S. and local laws and regulations applicable to our business operations, including those laws and regulations prohibiting improper payments to government officials. In addition, as a corporation whose securities are registered under the Securities Act and publicly traded on the NYSE, our executive officers, outside directors, employees and independent contractors are required to comply with the prohibitions against insider trading of our securities. In addition, we impose certain restrictions on the trading of securities of our clients. Nonetheless, we cannot assure you that our policies, procedures and related training programs will ensure full compliance with all applicable legal requirements. Illegal or improper conduct by our executive officers, directors, employees, independent consultants or contractors, or others who are subject to our policies and procedures could damage our reputation in the U.S. and internationally or lead to litigation or governmental or regulatory proceedings in the U.S. or foreign jurisdictions, which could result in civil or criminal penalties, including substantial monetary awards, fines and penalties, as well as disgorgement of profits.

We may be required to recognize goodwill impairment charges, which could materially affect our financial results.

We assess our goodwill, trade names and other intangible assets, as well as our other long-lived assets as and when required by GAAP to determine whether they are impaired and, if they are, to record appropriate impairment charges. Factors we consider include significant underperformance relative to expected historical or projected future operating results and significant negative industry or

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economic trends. It is possible that we may be required to record significant impairment charges in the future relating to that or other segments. Such charges have had and could have an adverse impact on our results of operations.

Risks Related to Our People

Our failure to recruit and retain qualified professionals could negatively affect our financial results and our ability to staff client engagements, maintain relationships with clients and drive future growth.

We deliver sophisticated professional services to our clients. Our success is dependent, in large part, on our ability to keep our supply of skills and resources in balance with client demand around the world. To attract and retain clients, we need to demonstrate professional acumen and build trust and strong relationships. Our professionals have highly specialized skills. They also develop strong bonds with the clients they serve. Our continued success depends upon our ability to attract and retain professionals who have expertise, reputations and client relationships critical to maintaining and developing our business. We face intense competition in recruiting and retaining highly qualified professionals to drive our organic growth and support expansion of our services and geographic footprint. We cannot assure that we will be able to attract or retain qualified professionals to maintain or expand our business. If we are unable to successfully integrate, motivate and retain qualified professionals, our ability to continue to secure work in may suffer. Moreover, competition has caused our costs of retaining and hiring qualified professionals to increase, a trend which could continue and could adversely affect our operating margins and financial results.

Despite fixed terms or renewal provisions, we could face retention issues during and at the end of the terms of those agreements and large compensation expenses to secure extensions. There is no assurance we will enter into new or extend employment agreements with SMDs. We monitor contract expirations carefully to commence dialogues with professionals regarding their employment in advance of the actual contract expiration dates. Our goal is to renew employment agreements when advisable and to stagger the expirations of the agreements if possible. Because of the concentration of contract expirations in certain years, we may experience high turnover or other adverse consequences, such as higher costs, loss of clients and engagements or difficulty in staffing engagements, if we are unable to renegotiate employment arrangements or the costs of retaining qualified professionals becomes too high. The implementation of new compensation arrangements may result in the concentration of potential turnover in future years.

Headcount reductions to manage costs during periods of reduced demand for our services could have negative impacts on our business over the longer term.

Our people are our primary assets and account for the majority of our expenses. During periods of reduced demand for our services, or in response to unfavorable changes in market or industry conditions, we may seek to align our cost structure more closely with our revenues and increase our utilization rates by reducing headcount and eliminating or consolidating underused locations in affected business segments or practices. Following such actions, in response to subsequent increases in demand for our services, including as a result of favorable changes in market or industry conditions, we may need to hire, train and integrate additional qualified and skilled personnel and may be unable to do so to meet our needs or our clients' demands on a timely basis. If we are unable to manage staffing levels on a timely basis in light of changing opportunities or conditions, our ability to accept or service business opportunities and client engagements, take advantage of positive market and industry developments and realize future growth could be negatively affected, which could negatively impact our revenues and profitability. In addition, while increased utilization resulting from headcount reductions may enhance our profitability in the near term, it could negatively affect our business over the longer term by limiting the time our professionals have to seek out and cultivate new client relationships and win new projects.

We incur substantial costs to hire and retain our professionals, and we expect these costs to continue and to grow.

We may pay hiring or retention bonuses to secure the services of professionals. Those payments have taken the forms of unsecured general recourse forgivable loans, stock option, restricted stock, cash-based stock appreciation rights and other equity- and cash-based awards, and cash payments to attract and retain our professional employees. We make forgivable loans to KSIP participants and may provide forgivable or other types of loans to new hires and professionals who join us in connection with acquisitions, as well as to select current employees and other professionals on a case-by-case basis. The aggregate amount of loans to professionals is significant. We expect to continue issuing unsecured general recourse forgivable loans.

We also provide significant additional payments under the KSIP and annual recurring equity or cash awards under the Senior Managing Director Incentive Compensation Programs, Key Senior Managing Director Incentive Plans and other compensation programs, including awards in the form of restricted stock and other stock- or cash-based awards or, alternatively, cash if we do not have adequate equity securities available under stockholder-approved equity plans.

In addition, our Economic Consulting segment has contracts with select economists or professionals who provide for compensation equal to such individual's annual collected client fees plus a percentage of the annual fees generated by junior

professionals working on engagements managed by such professionals, which results in compensation expense for that segment being a higher percentage of revenues and EBITDA than the compensation paid by other segments. We expect that these arrangements will continue and that the Company may enter into similar arrangements with other economists and professionals hired by the Company.

We rely heavily on our executive officers and the heads of our operating segments and industry leaders for the success of our business.

We rely heavily on our executive officers and the heads of our operating segments, regions and industries to manage our operations. Given the highly specialized nature of our services and the scale of our operations, our executive officers and the heads of our operating segments and industry and regional leaders must have a thorough understanding of our service offerings, as well as the skills and experience necessary to manage a large organization in diverse geographic locations. We are unable to predict with certainty the impact that leadership transitions may have on our business operations, prospects, financial results, client relationships, or employee retention or morale.

Professionals may leave our Company to form or join competitors, and we may not have, or may choose not to pursue, legal recourse against such professionals.

Our professionals typically have close relationships with the clients they serve, based on their expertise and bonds of personal trust and confidence. Therefore, the barriers to our professionals pursuing independent business opportunities or joining our competitors should be considered low. Although our clients generally contract for services with us as a Company, and not with an individual professional, in the event that a professional leaves, such clients may decide that they prefer to continue working with a specific professional rather than with our Company. Substantially all of our written employment arrangements with our senior managing directors and equivalent employees include non-competition and non-solicitation covenants. These restrictions have generally been drafted to comply with state “reasonableness” standards. However, states generally interpret restrictions on competition narrowly and in favor of employees. Therefore, a state may hold certain restrictions on competition to be unenforceable. In the case of employees outside the U.S., we draft non-competition provisions in an effort to comply with applicable foreign law. In the event an employee departs and acts in a way that we believe violates his or her non-competition or non-solicitation agreement, we will consider any legal remedies we may have against such person on a case-by-case basis. We may decide that preserving cooperation and a professional relationship with a former employee or client, or other concerns, outweighs the benefits of any possible legal recourse. We may also decide that the likelihood of success does not justify the costs of pursuing a legal remedy. Therefore, there may be times we may decide not to pursue legal action, even if it is available to us.

Risks Related to Our Client Relationships

If we are unable to accept client engagements due to real or perceived relationship issues, our revenues, growth, client engagements and prospects may be negatively affected.

Our inability to accept engagements from existing or prospective clients, represent multiple clients in connection with the same or competitive engagements, or any requirement that we resign from a client engagement may negatively impact our revenues, growth and financial results. While we follow internal practices to assess real and potential issues in the relationships between and among our clients, engagements, segments, practices and professionals, such concerns cannot always be avoided. For example, we generally will not represent parties adverse to each other in the same matter. Under U.S. federal bankruptcy rules, we generally may not represent both a debtor and its creditors in the same proceeding, and we are required to notify the U.S. Trustee of real or potential conflicts. Even if we begin a bankruptcy-related engagement, the U.S. Trustee could find that we no longer meet the disinterestedness standard because of real or potential changes in our status as a disinterested party and order us to resign, which could result in

disgorgement of fees. Acquisitions may require us to resign from a client engagement because of relationship issues that are not currently identifiable. In addition, businesses that we acquire or employees who join us may not be free to accept engagements they could have accepted prior to our acquisition or hire because of relationship issues.

Claims involving our services could harm our overall professional reputation and our ability to compete and attract business or hire or retain qualified professionals.

Our engagements involve matters that may result in a severe impact on a client's business, cause the client a substantial monetary loss or prevent the client from pursuing business opportunities. Our ability to attract new clients and generate new and repeat engagements or hire professionals depends upon our ability to maintain a high degree of client satisfaction, as well as our reputation among industry professionals. As a result, any claims against us involving the quality of our services may be more damaging than similar claims against businesses in other industries.

We may incur significant costs and may lose engagements as a result of claims by our clients regarding our services.

Many of our engagements involve complex analysis and the exercise of professional judgment, including litigation and governmental investigatory matters where we act as experts. Therefore, we are subject to the risk of professional and other liabilities. Although we believe we maintain an appropriate amount of insurance, it is limited. Damages and/or expenses resulting from any successful claim against us, for indemnity or otherwise, in excess of the amount of insurance coverage will be borne directly by us and could harm our profitability and financial resources. Any claim by a client or third party against us could expose us to reputational issues that adversely affect our ability to attract new or maintain existing engagements or clients or qualified professionals or other employees, consultants, or contractors.

Our clients may terminate our engagements with little or no notice and without penalty, which may result in unexpected declines in our utilization and revenues.

Our engagements center on transactions, disputes, litigation and other event-driven occurrences that require independent analysis or expert services. Transactions may be postponed or canceled, litigation may be settled or dismissed and disputes may be resolved, in each case with little or no prior notice to us. If we cannot manage our work in process, our professionals may be underutilized until we can reassign them or obtain new engagements, which can adversely affect financial results.

The engagement letters that we typically enter into with clients do not obligate them to continue to use our services. Typically, our engagement letters permit clients to terminate our services at any time without penalties. In addition, our business involves large client engagements that we staff with a substantial number of professionals. At any time, one or more client engagements may represent a significant portion of a segment's revenues. If we are unable to replace clients or revenues as engagements end, clients unexpectedly cancel engagements with us or curtail the scope of our engagements and we are unable to replace the revenues from those engagements, eliminate the costs associated with those engagements or find other engagements to utilize our professionals, the financial results and profitability of the Company could be adversely affected.

We may not have, or may choose not to pursue, legal remedies against clients that terminate their engagements.

The engagement letters that we typically have with clients do not obligate them to continue to use our services and permit them to terminate the engagement without penalty at any time. Even if the termination of an ongoing engagement by a client could constitute a breach of the client's engagement agreement, we may decide that preserving the overall client relationship is more important than seeking damages for the breach and, for that or other reasons, decide not to pursue any legal remedies against a client, even though such remedies may be available to us. We make the determination whether to pursue any legal actions against a client on a case-by-case basis.

Failures of our internal information technology systems controls or compromise of confidential or proprietary client or company information could damage our reputation, harm our businesses and adversely impact our results of operations.

Our reputation for providing secure information storage and maintaining the confidentiality of proprietary, confidential and trade secret information is critical to the success of our businesses, especially our Technology segment, which hosts client information as a service. We routinely face cyber-based attacks and attempts by hackers and similar unauthorized users to gain access to or corrupt our information technology systems, which so far have been unsuccessful. Such attacks could disrupt our business operations, cause us to incur unanticipated losses or expenses, and result in unauthorized disclosures of confidential or proprietary information. We expect to continue to face such attempts. Although we seek to prevent, detect and investigate these network security incidents, and have taken steps to mitigate the likelihood of network security breaches, there can be no assurance that attacks by

unauthorized users will not be attempted in the future or that our security measures will be effective.

Compromise of confidential or proprietary information could damage our reputation, harm our businesses and adversely impact our results of operations.

The Company's own confidential and proprietary information and that of our clients could be compromised, whether intentionally or unintentionally, by our employees, consultants or vendors. A compromise of the security of our information technology systems leading to theft or misuse of our own or our clients' proprietary or confidential information, or the public disclosure or use of such information by others, could result in losses, third-party claims against us and reputational harm, including the loss of clients. The theft or compromise of our or our clients' information could negatively impact our reputation, financial results and prospects. In addition, if our reputation is damaged due to a data security breach, our ability to attract new engagements and clients may be impaired or we may be subjected to damages or penalties, which could negatively impact our businesses, financial condition or results of operations.

Governmental focus on data privacy and security could increase our costs of operations.

In reaction to publicized incidents in which electronically stored personal and other information has been lost, accessed or stolen, or transmitted by or to third parties without permission, U.S. and non-U.S. governmental authorities have proposed, adopted or are considering proposing or adopting data security and/or data privacy statutes or regulations. Continued governmental focus on data security and privacy may lead to additional legislative and regulatory action, which could increase the complexity of doing business in the U.S. or the applicable jurisdiction. The increased emphasis on information security and the requirements to comply with applicable U.S. and foreign data security and privacy laws and regulations may increase our costs of doing business and negatively impact our results of operations.

Risks Related to Competition

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

The market for some of our consulting services is highly competitive. We do not compete against the same companies across all of our segments, practices, services, industries or geographic regions. Instead we compete with different companies or businesses of companies depending on the particular nature of a proposed engagement and the types of requested service(s) and the location of the client or delivery of the service(s). Our operations are highly competitive.

Our competitors include large organizations, such as the global accounting firms and the large management and financial consulting companies that offer a broad range of consulting services; investment banking firms; IT consulting and software companies, which offer niche services that are the same or similar to services or products offered by one or more of our segments; and small firms and independent contractors that focus on specialized services. Some of our competitors have significantly more financial resources, a larger national or international presence, larger professional staffs and greater brand recognition than we do. Some have lower overhead and other costs and can compete through lower cost-service offerings.

Since our business depends in large part on professional relationships, our business has low barriers of entry for professionals electing to start their own firms or work independently. In addition, it is relatively easy for professionals to change employers.

If we cannot compete effectively or if the costs of competing, including the costs of hiring and retaining professionals, become too expensive, our revenue growth and financial results could be negatively affected and may differ materially from our expectations.

We may face competition from parties who sell us their businesses and from professionals who cease working for us.

In connection with our acquisitions, we generally obtain non-solicitation agreements from the professionals we hire, as well as non-competition agreements from senior managers and professionals. The agreements prohibit such individuals from competing with us during the term of their employment and for a fixed period afterwards and from seeking to solicit our employees or clients. In some cases, but not all, we may obtain non-competition or non-solicitation agreements from parties who sell us their businesses or assets. The duration of post-employment non-competition and non-solicitation agreements typically ranges from six to 12 months. Non-competition agreements with the sellers of businesses or assets that we acquire typically continue longer than 12 months. Certain activities may be carved out of, or otherwise may not be prohibited by, these arrangements. We cannot assure that one or more of the parties from whom we acquire a business or assets, or who do not join us or leave our employment, will not compete with us or solicit our employees or clients in the future. States and foreign jurisdictions may interpret

restrictions on competition narrowly and in favor of employees or sellers. Therefore, certain restrictions on competition or solicitation may be unenforceable. In addition, we may not pursue legal remedies if we determine that preserving cooperation and a professional relationship with a former employee or his clients, or other concerns, outweighs the benefits of any possible legal recourse or the likelihood of success does not justify the costs of pursuing a legal remedy. Such persons, because they have worked for our Company or a businesses that we acquire, may be able to compete more effectively with us, or be more successful in soliciting our employees and clients, than unaffiliated third parties.

Risks Related to Acquisitions

We will consider future strategic or opportunistic acquisitions. In those cases, some or all of the following risks could be applicable.

We may have difficulty integrating acquisitions or convincing clients to allow assignment of their engagements to us, which can reduce the benefits we receive from acquisitions.

The process of managing and integrating acquisitions into our existing operations may result in unforeseen operating difficulties and may require significant financial, operational and managerial resources that would otherwise be available for the operation,

development and organic expansion of our existing operations. To the extent that we misjudge our ability to properly manage and integrate acquisitions, we may have difficulty achieving our operating, strategic and financial objectives.

Acquisitions also may involve a number of special financial, business and operational risks, such as:

- difficulties in integrating diverse corporate cultures and management styles;
- disparate policies and practices;
- client relationship issues;
- decreased utilization during the integration process;
- loss of key existing or acquired personnel;
 - increased costs to improve or coordinate managerial, operational, financial and administrative systems;
- dilutive issuances of equity securities, including convertible debt securities, to finance acquisitions;
- the assumption of legal liabilities;
- future earn-out payments or other price adjustments; and
- potential future write-offs relating to the impairment of goodwill or other acquired intangible assets or the revaluation of assets.

In addition to the integration challenges mentioned above, our acquisitions of non-U.S. companies offer distinct integration challenges relating to foreign laws and governmental regulations, including tax and employee benefit laws, and other factors relating to operating in countries other than the U.S., which we have addressed above in the discussion regarding the difficulties we may face operating globally.

Asset transactions may require us to seek client consents to the assignment of their engagements to us or a subsidiary. All clients may not consent to assignments. In certain cases, such as government contracts and bankruptcy engagements, the consent of clients cannot be solicited until after the acquisition has closed. Further, such engagements may be subject to security clearance requirements or bidding provisions with which we might not be able to comply. There is no assurance that clients of the acquired entity or local, state, federal or foreign governments will agree to novate or assign their contracts to us.

The Company may also hire groups of selected professionals from another company. In such event, there may be restrictions on the ability of the professionals who join the Company to compete and work on client engagements. In addition, the Company may enter into arrangements with the former employers of those professionals regarding limitations on their work until any time restrictions pass. In such circumstances, there is no assurance that the Company will enter into mutually agreeable arrangements with any former employer, and the utilization of such professionals may be limited and our financial results could be negatively affected until their restrictions end. The Company could also face litigation risks from group hires.

We may be unable to take advantage of opportunistic acquisition situations, which may adversely affect our ability to expand or diversify our business.

At the time an acquisition opportunity presents itself, internal and external pressures (including, but not limited to, competition for such acquisition, the cost of such acquisition, borrowing capacity under our senior secured bank revolving credit facility (our "Senior Bank Credit Facility") or the availability and cost of alternative financing) may cause us to be unable to pursue or complete an acquisition.

An acquisition may not be accretive in the near term or at all.

Competitive market conditions may require us to pay a price that represents a higher multiple of revenues or profits for an acquisition. As a result of these competitive dynamics, cost of the acquisition or other factors, certain

acquisitions may not be accretive to our overall financial results at the time of the acquisition or at all.

We may have a different system of governance and management from a company we acquire or its parent, which could cause professionals who join us from an acquired company to leave us.

Our governance and management policies and practices will not mirror the policies and practices of an acquired company or its parent. In some cases, different management practices and policies may lead to workplace dissatisfaction on the part of professionals

who join our Company. Some professionals may choose not to join our Company or leave after joining us. Existing professionals may leave us as well. The loss of key professionals may harm our business and results of operations and cause us not to realize the anticipated benefits of the acquisition.

Due to fluctuations in our stock price, acquisition candidates may be reluctant to accept shares of our common stock as purchase price consideration, use of our shares as purchase price consideration may be dilutive or the owners of certain companies we seek to acquire may insist on stock price guarantees.

We may structure an acquisition to pay a portion of the purchase price in shares of our common stock. The number of shares issued as consideration is typically based on an average closing price per share of our common stock for a number of days prior to the closing of such acquisition. We believe that payment in the form of shares of common stock of FTI Consulting provides the acquired entity and its principals with a vested interest in the future success of the acquisition and the Company. Stock market volatility, generally, or FTI Consulting's stock price volatility, specifically, may result in acquisition candidates being reluctant to accept our shares as consideration. In such cases, we may have to issue more shares if stock constitutes part of the consideration, pay the entire purchase price in cash or negotiate an alternative price structure. The result may be an increase in the cost of an acquisition.

Certain past acquisition-related agreements have contained stock price guarantees that resulted in cash payments in the future if the price per share of FTI Consulting common stock fell below a specified per share market value on the date restrictions lapse. There is no assurance that an acquisition candidate will not negotiate stock price guarantees, with respect to a future acquisition, which may increase the cost of such acquisition.

Risks Related to Our Indebtedness

Our leverage could adversely affect our financial condition or operating flexibility.

Our level of indebtedness could have important consequences on our future operations. Our Senior Bank Credit Facility and the indenture governing the 6% Senior Notes Due 2022 ("2022 Notes") include negative covenants that may, subject to exceptions, limit our ability and the ability of our subsidiaries to, among other things:

- create, incur or assume certain liens;
- make certain restricted payments, investments and loans;
- create, incur or assume additional indebtedness or guarantees;
- create restrictions on the payment of dividends or other distributions to us from our restricted subsidiaries;
- engage in M&As, consolidations, sale-leasebacks, and other asset sales and dispositions;
- pay dividends or redeem or repurchase our capital stock;
- alter the business that we and our subsidiaries conduct;
- engage in certain transactions with affiliates;
- modify the terms of certain indebtedness;
- prepay, redeem or purchase certain indebtedness; and
- make material changes to accounting and reporting practices.

In addition, the Senior Bank Credit Facility includes financial covenants that require us (i) not to exceed a maximum consolidated total leverage ratio (the ratio of total funded debt to adjusted EBITDA) and (ii) to exceed a minimum consolidated interest coverage ratio (the ratio of adjusted EBITDA less capital expenditures and cash taxes to cash interest expense).

Operating results below a certain level or other adverse factors, including a significant increase in interest rates, could result in us being unable to comply with certain covenants. If we violate these covenants and are unable to obtain waivers, our indebtedness under the indenture, the Senior Bank Credit Facility or other applicable agreement could be

declared in default and could be accelerated, which could permit, in the case of secured debt, the lenders to foreclose on our assets securing the debt thereunder. If the indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt is in default for any reason, our cash flows, results of operations or financial condition could be materially and adversely affected. In addition, complying with these covenants may cause us to take actions that are not favorable to holders of the 2022 Notes and may make it

more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

Despite our current level of indebtedness, we and our subsidiaries may still incur significant additional indebtedness, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. The terms of the indenture governing the 2022 Notes and our Senior Bank Credit Facility limit, but do not prohibit, us from incurring additional indebtedness and do not prevent us from incurring other liabilities that do not constitute indebtedness. In addition, the indenture that governs the 2022 Notes allows our domestic subsidiaries that guarantee the 2022 Notes and the Senior Bank Credit Facility to guarantee additional indebtedness from time to time. The indenture for the 2022 Notes also permits us to incur certain other additional secured debt, which would be effectively senior to the 2022 Notes. Our ability to incur additional indebtedness may have the effect of reducing the amounts available to pay amounts due with respect to our indebtedness. If we incur new indebtedness or other liabilities, the related risks that we and our subsidiaries now face could intensify.

We may not be able to generate sufficient cash to service our indebtedness, and we may be forced to take other actions to satisfy our payment obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our indebtedness depends on our future performance, including the performance of our subsidiaries, which will be affected by financial, business and economic conditions, and other factors. We will not be able to control many of these factors, such as the general economy, economic conditions in the industries in which we operate and competitive pressures. Our cash flow may not be sufficient to allow us to pay principal and interest on our indebtedness and to meet our other obligations. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In addition, the terms of existing or future debt agreements, including our Senior Bank Credit Facility and the indenture that governs the 2022 Notes, may restrict us from pursuing any of these alternatives.

In the event that we need to refinance all or a portion of our outstanding indebtedness before maturity or as it matures, we may not be able to obtain terms as favorable as the terms of our existing indebtedness or refinance our existing indebtedness at all. If interest rates or other factors existing at the time of refinancing result in higher interest rates upon refinancing, we will incur higher interest expense. Furthermore, if any rating agency changes our credit rating or outlook, our debt and equity securities could be negatively affected, which could adversely affect our financial condition and results of operations.

Our indebtedness is guaranteed by substantially all of our domestic subsidiaries and will be required to be guaranteed by future domestic subsidiaries, including those that join us in connection with acquisitions.

Substantially all of our U.S. subsidiaries guarantee our obligations under our 2022 Notes and Senior Bank Credit Facility and substantially all of their assets are pledged as collateral for the Senior Bank Credit Facility. Future U.S. subsidiaries will be required to provide similar guarantees and, in the case of the Senior Bank Credit Facility, similar security. If we default on any guaranteed indebtedness, our U.S. subsidiaries could be required to make payments under their guarantees, and our senior secured creditors could foreclose on our U.S. subsidiaries' assets to satisfy unpaid obligations, which would materially adversely affect our business and financial results.

Our variable rate indebtedness will subject us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Borrowings under our Senior Bank Credit Facility will be at variable rates of interest, which expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our cash flow could be adversely affected. An increase in debt service obligations under our variable rate indebtedness could affect our ability to make payments required under the terms of the Senior Bank Credit Facility, 2022 Notes or our other indebtedness outstanding from time to time.

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

Unregistered sales of equity securities.

None.

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Repurchases of our common stock.

The following table provides information with respect to purchases we made of our common stock during the three months ended June 30, 2017:

	Total	Average	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽⁵⁾	Approximate Dollar Value that May Yet Be Purchased Under the Program
	Number of Shares	Price Paid per Share (in thousands, except per share data)		
April 1 through April 30, 2017	118	\$ 35.72	118	⁽²⁾ \$ 40,263
May 1 through May 31, 2017	1,199	\$ 34.68	1,199	⁽³⁾ \$ 98,655
June 1 through June 30, 2017	574 ⁽¹⁾	\$ 34.43	570	⁽⁴⁾ \$ 78,901
Total	1,891		1,887	

⁽¹⁾Includes 3,930 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.

⁽²⁾During the month ended April 30, 2017, we repurchased and retired 118,432 shares of common stock, at an average per share price of \$35.72, for an aggregate cost of \$4.2 million.

⁽³⁾During the month ended May 31, 2017, we repurchased and retired 1,199,046 shares of common stock, at an average per share price of \$34.68, for an aggregate cost of \$41.6 million.

⁽⁴⁾During the month ended June 30, 2017, we repurchased and retired 569,555 shares of common stock, at an average per share price of \$34.66, for an aggregate cost of \$19.8 million.

⁽⁵⁾On June 2, 2016, our Board of Directors authorized a stock repurchase program for up to \$100.0 million. On May 18, 2017, the Board of Directors authorized an additional \$100.0 million to repurchase shares of our common stock for an aggregate stock repurchase authorization of \$200.0 million (the "Repurchase Program"). During the three months ended June 30, 2017, we repurchased an aggregate of 1,887,033 shares of our outstanding common stock under the Repurchase Program at an average repurchase price of \$34.74 per share for a total cost of approximately \$65.6 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit

Number Description

- 3.1 Articles of Incorporation of FTI Consulting, Inc., as amended and restated. (Filed with the Securities and Exchange Commission on May 23, 2003 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 21, 2003 and incorporated herein by reference.)
- 3.2 Articles of Amendment of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
- 3.3 Bylaws of FTI Consulting, Inc., as amended and restated on June 1, 2011. (Filed with the Securities and Exchange Commission on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
- 3.4 Amendment No. 1 to Bylaws of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on December 16, 2013 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 13, 2013 and incorporated herein by reference.)
- 3.5 Amendment No. 2 to Amended and Restated Bylaws of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on September 22, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated September 17, 2014 and incorporated herein by reference.)
- 10.1* FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan (Effective as of June 7, 2017). (Included as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A filed with the Commission on April 25, 2017 and incorporated herein by reference.)
- 10.2 *† Form of Executive Long-Term Incentive Pay Restricted Stock Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.3 *† Form of Executive Long-Term Incentive Pay Incentive Stock Option Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.4 *† Form of Executive Long-Term Incentive Pay Performance-Based Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.5 *† Form of General Restricted Stock Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.6 *† Form of General Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.7 *†

Form of General Incentive Stock Option Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan

- 10.8 *† Form of General Nonstatutory Stock Option Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.9 *† Form of General Performance-Based Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.10 *† Form of General Cash Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.11 *† Form of General Cash –Based Stock Appreciation Right Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.12 *† Form of General Cash-Based Performance Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.13 *† Form of Restricted Stock Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan

Exhibit

Number Description

- 10.14 *† Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.15 *† Form of Deferred Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 10.16 *† Form of Deferred Restricted Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan
- 31.1† Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15D-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).
- 31.2† Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).
- 32.1†** Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
- 32.2†** Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
- 101 The following financial information from the Quarterly Report on Form 10-Q of FTI Consulting, Inc., included herewith, and formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016; (ii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016; (iii) Condensed Consolidated Statement of Stockholders' Equity for the three and six months ended June 30, 2017; (iv) Condensed Consolidated Statements of Cash Flows for the three and six months ended June 30, 2017 and 2016; and (v) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.

Filed herewith.

*Management contract or compensatory plan or arrangement.

**This certification is deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

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

Date: July 27, 2017

FTI CONSULTING, INC.

By: /s/ Catherine M. Freeman
Catherine M. Freeman
Senior Vice President, Controller and

Chief Accounting Officer
(principal accounting officer)