NAVIGANT CONSULTING INC (NCI)

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 07/27/2012
Filed Period 06/30/2012

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

FORM 10-Q

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

For the quarterly period ended June 30, 2012

OR

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

Commission File No. 1-12173

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

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

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

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

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

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

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

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

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

As of July 26, 2012, 51,595,695 shares of the registrant's common stock, par value $.001 per share, were outstanding.

NAVIGANT CONSULTING, INC.

AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2012

INDEX

	Page
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements	3
Notes to Unaudited Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures About Market Risk	30
Item 4. Controls and Procedures	30
PART II — OTHER INFORMATION	
Item 1. Legal Proceedings	31
Item 1A. Risk Factors	31
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 6. Exhibits	32
SIGNATURES	33

Forward-Looking Statements

Statements included in this report which are not historical in nature are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may generally be identified by words such as "anticipate," "believe," "intend," "estimate," "expect," "plan," "outlook" and similar expressions. We caution readers that there may be events in the future that we are not able to accurately predict or control and the information contained in the forward-looking statements is inherently uncertain and subject to a number of risks that could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including the factors described in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011 and Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations in this report. We cannot guarantee any future results, levels of activity, performance or achievement, and we undertake no obligation to update any of the forward-looking statements contained in this report.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ —	$ 2,969
Accounts receivable, net	205,213	179,041
Prepaid expenses and other current assets	30,538	22,766
Deferred income tax assets	13,008	16,229
Total current assets	248,759	221,005
Non-current assets:		
Property and equipment, net	42,472	41,138
Intangible assets, net	13,490	16,825
Goodwill	570,872	570,280
Other assets	25,513	25,953
Total assets	$ 901,106	$ 875,201
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,719	$ 16,261
Accrued liabilities	10,555	8,432
Accrued compensation-related costs	57,889	95,451
Income tax payable	—	3,558
Other current liabilities	34,130	32,622
Total current liabilities	119,293	156,324
Non-current liabilities:		
Deferred income tax liabilities	62,633	52,964
Other non-current liabilities	17,116	20,445
Bank debt non-current	167,656	131,790
Total non-current liabilities	247,405	205,199
Total liabilities	366,698	361,523
Stockholders' equity:		
Common stock	62	61
Additional paid-in capital	575,895	567,627
Treasury stock	(207,112)	(197,602)
Retained earnings	177,571	156,373
Accumulated other comprehensive loss	(12,008)	(12,781)
Total stockholders' equity	534,408	513,678
Total liabilities and stockholders' equity	$ 901,106	$ 875,201

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	For the three months ended June 30, 2012	For the three months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Revenues before reimbursements	$ 181,529	$ 173,293	$ 367,909	$ 342,897
Reimbursements	23,071	21,115	43,312	40,310
Total revenues	204,600	194,408	411,221	383,207
Cost of services before reimbursable expenses	122,243	116,822	246,203	231,637
Reimbursable expenses	23,071	21,115	43,312	40,310
Total costs of services	145,314	137,937	289,515	271,947
General and administrative expenses	35,848	31,143	71,405	63,552
Depreciation expense	3,740	3,206	7,256	6,583
Amortization expense	1,650	2,163	3,375	4,464
Other operating costs:				
Contingent acquisition liability adjustment	620	—	620	—
Operating income	17,428	19,959	39,050	36,661
Interest expense	1,426	1,911	2,889	3,751
Interest income	(181)	(429)	(419)	(796)
Other expense (income), net	(144)	72	(39)	36
Income before income tax expense	16,327	18,405	36,619	33,670
Income tax expense	6,771	7,645	15,421	14,132
Net income	$ 9,556	$ 10,760	$ 21,198	$ 19,538
Basic net income per share	$ 0.19	$ 0.21	$ 0.42	$ 0.39
Shares used in computing net income per basic share	51,112	50,820	51,072	50,498
Diluted net income per share	$ 0.18	$ 0.21	$ 0.41	$ 0.38
Shares used in computing net income per diluted share	51,685	51,270	51,741	51,153
Other comprehensive income, net of tax				
Net income	$ 9,556	$ 10,760	$ 21,198	$ 19,538
Unrealized (loss) gain, foreign currency translation	(2,560)	(2)	712	3,591
Unrealized net (loss) gain on interest rate derivatives, net of income taxes	(12)	80	61	212
Comprehensive income	$ 6,984	$ 10,838	$ 21,971	$ 23,341

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the six months ended June 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 21,198	$ 19,538
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation expense	7,256	6,583
Amortization expense	3,375	4,464
Share-based compensation expense	4,939	4,133
Accretion of interest expense	274	529
Deferred income taxes	11,484	11,313
Allowance for uncollectible accounts receivable	3,053	3,028
Contingent acquisition liability adjustment	620	—
Changes in assets and liabilities (net of acquisitions):		
Accounts receivable	(29,134)	(13,962)
Prepaid expenses and other assets	(5,196)	(4,745)
Accounts payable	449	889
Accrued liabilities	2,121	(217)
Accrued compensation-related costs	(37,544)	(11,751)
Income taxes payable	(2,852)	(2,266)
Other liabilities	3,292	(3,577)
Net cash (used in) provided by operating activities	(16,665)	13,959
Cash flows from investing activities:		
Purchases of property and equipment	(10,979)	(3,401)
Acquisitions of businesses, net of cash acquired	—	(1,046)
Payments of acquisition liabilities	(1,106)	(10,217)
Other, net	(1,211)	(225)
Net cash used in investing activities	(13,296)	(14,889)
Cash flows from financing activities:		
Issuances of common stock	2,127	1,050
Repurchase of common stock	(7,260)	—
Payments of contingent acquisition liabilities	(2,801)	—
Payment upon termination of credit agreement	—	(250,613)
Proceeds from new credit agreement	—	250,613
Net borrowings from banks	36,000	6,432
Payments of term loan	—	(4,599)
Payments of debt issuance costs	—	(2,814)
Other, net	(1,039)	(839)
Net cash provided by (used in) financing activities	27,027	(770)
Effect of exchange rate changes on cash and cash equivalents	(35)	103
Net decrease in cash and cash equivalents	(2,969)	(1,597)
Cash and cash equivalents at beginning of the period	2,969	1,981
Cash and cash equivalents at end of the period	$ 0	$ 384

See accompanying notes to the unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Navigant Consulting, Inc. ("we", "us", or "our") is an independent specialty consulting firm that combines deep industry knowledge with technical expertise to enable companies to create and protect value in the face of complex and critical business risks and opportunities. Our professional service offerings include dispute, investigative, economic, operational, risk management and financial and regulatory advisory solutions. We provide our services to companies, legal counsel and governmental agencies facing the challenges of uncertainty, risk, distress and significant change. We provide services to and focus on industries undergoing substantial regulatory or structural change and on the issues driving these transformations. Our business is organized in four reporting segments — Disputes, Investigations & Economics; Financial, Risk & Compliance Advisory; Healthcare; and Energy; which were realigned in the second quarter of 2012. See Note 3 – Segment Information.

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

The results of operations for the six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2012.

These financial statements should be read in conjunction with the audited consolidated financial statements and related notes as of and for the year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the SEC on February 17, 2012.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and the related notes. Actual results could differ from those estimates and may affect future results of operations and cash flows. We have evaluated events and transactions occurring after the balance sheet date and prior to the date of this filing. We believe there are no such events or transactions that require disclosure for this filing.

In June 2011, the Financial Accounting Standards Board ("FASB") issued guidance which requires public entities to increase the prominence of other comprehensive income in financial statements. Under FASB Topic 220 — Presentation of Comprehensive Income, an entity will have the option to present the components of net income and comprehensive income in either one continuous or two financial statements. This update eliminates the option to present other comprehensive income in the statement of changes in equity. This update is effective for fiscal years and interim periods beginning after December 15, 2011. We adopted this guidance effective January 1, 2012 and elected to present the components of net income and comprehensive income in one continuous financial statement.

2. ACQUISITIONS

2011 Acquisitions

On July 15, 2011, we acquired the assets of Ignited Solutions, LLC to expand our technology advisory solutions services. Ignited was a discovery services consulting group specializing in electronic discovery data collection, data processing and data hosting. This acquisition included 27 professionals and has been integrated into our Disputes, Investigations & Economics segment. We paid $6.3 million in cash at closing, and Ignited can earn up to $3.0 million of additional payments based on the business achieving certain performance targets over the 30 months after closing. We estimated the fair value of the contingent consideration on the date of purchase to be $2.6 million. The liability was recorded as other current and non-current liabilities. During the six months ended June 30, 2012, we settled $1.0 million of the contingent consideration and recorded $0.4 million of other operating costs reflecting a fair value adjustment of the contingent consideration. At June 30, 2012 the deferred contingent acquisition liability balance was $2.0 million (See Note 8 – Supplemental Consolidated Balance Sheet Information). As part of the purchase price allocation, we recorded $1.2 million in accounts receivable, $0.5 million in property and equipment, $1.5 million in identifiable intangible assets and $5.8 million in goodwill. The purchase price paid in cash at closing was funded with borrowings under our credit facility.

Also, during 2011, we acquired two small businesses, one in May 2011 and one in October 2011, for an aggregate purchase price of $4.6 million, of which $2.9 million was paid in cash at closing. One of the acquired businesses was integrated into our Disputes, Investigations & Economics segment and the other was integrated into our Healthcare segment.

Pro Forma Information

The following supplemental unaudited pro forma financial information was prepared as if the 2011 acquisitions noted above had occurred as of the beginning of the periods presented. The following table was prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the acquisitions been made at that time or of results which may occur in the future (amounts shown in thousands, except per share data).

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
Total revenues	$ 204,600	$ 197,417	$ 411,221	$ 389,773
Net income	$ 9,556	$ 11,105	$ 21,198	$ 20,319
Basic net income per share	$ 0.19	$ 0.22	$ 0.42	$ 0.40
Diluted net income per share	$ 0.18	$ 0.22	$ 0.41	$ 0.40

3. SEGMENT INFORMATION

During the three months ended March 31, 2012, Julie M. Howard was named our Chief Executive Officer (CEO). As CEO, Ms. Howard fills the role of chief operating decision maker (CODM). Under her direction, a strategic realignment of the firm's practices occurred during the second quarter of 2012, establishing four new operating and reportable segments that each report to a newly created Executive Vice President position. Our performance will be assessed and resources will be allocated by the CODM based on the following four reportable segments:

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

The changes combine practices that serve comparable client types and address similar business issues and industry dynamics. The new segment reporting structure provides shareholders and other users of our financial statements with more useful information about several of our key growth businesses, particularly Energy and Healthcare. Finally, the segment realignment represents a shift in overall management of the practices to a global management model, positioning practice leaders to be accountable for the operations and performance of their teams across borders while leveraging local leadership to drive effectiveness.

			CURRENT			
			Disputes, Investigations & Economics	**Financial, Risk & Compliance Advisory**	**Healthcare**	**Energy**
FORMER	North America	**Dispute & Investigative Services**	Disputes & Investigations Construction	Global Investigations & Compliance		
		Business Consulting Services	Claims management	Financial Services Valuation & Financial Risk Management Restructuring	Healthcare	Energy
		Economic Consulting	Economics			
		International Consulting	Disputes & Investigations Construction Public Services	Financial Services		Energy

- The **Disputes, Investigations & Economics** segment provides accounting, financial and economic analysis, as well as discovery support, data management and analytics, on a wide range of legal and business issues including disputes, investigations and regulatory matters. The clients of this segment are principally companies, along with their in-house counsel and law firms, as well as accounting firms, corporate boards and government agencies.
- The **Financial, Risk & Compliance Advisory** segment provides strategic, operational, valuation, risk management, investigative and compliance consulting to clients in the highly regulated financial services industry, including major financial and insurance institutions. This segment also provides anti-corruption and restructuring consulting to clients in a broad variety of industries.
- The **Healthcare** segment provides strategic, operational, management and financial advisory services to health systems, physician practice groups, payers and life sciences companies.
- The **Energy** segment provides existing and prospective owners of energy supply and delivery assets with the ability to evaluate, plan, develop, and enhance their entities in concert with evolving market and regulatory structures. Clients include utilities, independent power producers, financial entities, law firms, regulators, and energy equipment providers.

The following information includes segment revenues before reimbursements, segment total revenues and segment operating profit. Certain unallocated expense amounts related to specific reporting segments have been excluded from segment operating profit to be consistent with the information used by management to evaluate segment performance. Segment operating profit represents total revenues less costs of services excluding long-term compensation expense attributable to consultants. Long-term compensation expense attributable to consultants includes share-based compensation expense and compensation expense attributed to retention incentives (see Note 7 Share-based Compensation Expense and Note 8 — Supplemental Consolidated Balance Sheet Information).

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

Table of Contents

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

	For the three months ended June 30, 2012	For the three months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Revenues before reimbursements:				
Disputes, Investigations & Economics	$ 81,350	$ 86,140	$ 172,569	$ 170,937
Financial, Risk & Compliance Advisory	42,800	33,134	80,030	63,969
Healthcare	36,022	32,041	72,564	65,597
Energy	21,357	21,978	42,746	42,394
Total revenues before reimbursements	$ 181,529	$ 173,293	$ 367,909	$ 342,897
Total Revenues:				
Disputes, Investigations & Economics	$ 86,894	$ 95,472	$ 183,983	$ 186,945
Financial, Risk & Compliance Advisory	52,847	37,408	96,675	73,565
Healthcare	40,839	36,102	81,765	73,270
Energy	24,020	25,426	48,798	49,427
Total revenues	$ 204,600	$ 194,408	$ 411,221	$ 383,207
Segment operating profit:				
Disputes, Investigations & Economics	$ 27,995	$ 31,191	$ 62,163	$ 60,499
Financial, Risk & Compliance Advisory	15,402	11,136	29,157	21,378
Healthcare	11,463	9,659	22,933	20,373
Energy	7,475	8,324	14,729	16,058
Total segment operating profit	62,335	60,310	128,982	118,308
Segment reconciliation to income before income tax expense:				
Unallocated:				
General and administrative expenses	35,848	31,143	71,405	63,552
Depreciation expense	3,740	3,206	7,256	6,583
Amortization expense	1,650	2,163	3,375	4,464
Other operating costs:				
Contingent acquisition liability adjustment	620	—	620	—
Long-term compensation expense related to consultants (including share-based compensation)	3,049	3,839	7,276	7,048
Operating income	17,428	19,959	39,050	36,661
Interest and other expense, net	1,101	1,554	2,431	2,991
Income before income tax expense	$ 16,327	$ 18,405	$ 36,619	$ 33,670

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

	June 30, 2012	December 31, 2011
Disputes, Investigations & Economics	$ 446,838	$ 437,431
Financial, Risk & Compliance Advisory	108,821	92,337
Healthcare	154,707	159,450
Energy	96,074	96,639
Unallocated assets	94,666	89,344
Total assets	$ 901,106	$ 875,201

Table of Contents

4. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill and other intangible assets consisted of (shown in thousands):

	June 30, 2012	December 31, 2011
Goodwill	$ 576,297	$ 575,705
Less—accumulated amortization	(5,425)	(5,425)
Goodwill, net	570,872	570,280
Intangible assets:		
Customer lists and relationships	72,905	72,679
Non-compete agreements	21,026	21,002
Other	23,893	23,901
Intangible assets, at cost	117,824	117,582
Less—accumulated amortization	(104,334)	(100,757)
Intangible assets, net	13,490	16,825
Goodwill and intangible assets, net	$ 584,362	$ 587,105

On January 1, 2012, we adopted the principles prescribed in Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2011-08 "Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment" which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the two-step test for goodwill impairment, including an annual goodwill impairment test.

During the three months ended June 30, 2012, we realigned our segments (see Note 3 – Segment Information). As a result of the realignment, the composition of our reporting units has changed. We now have four reporting units as defined by ASU Topic 350 (Intangibles — Goodwill and Other) which are the same as our operating segments. We re-assigned our goodwill balances using the relative fair value approach based on an evaluation of expected future discounted cash flows. The changes made to the goodwill balances of our reporting units, including the realignment for the six months ended June 30, 2012 and 2011, were as follows (shown in thousands).

	CURRENT SEGMENTS				
FORMER SEGMENTS	Disputes, Investigations & Economics	Financial, Risk & Compliance Advisory	Healthcare	Energy	Total
Dispute and Investigative Services	$ 226,934	$ 36,266	$ —	$ —	$ 263,200
Business Consulting Services	2,584	10,355	115,527	66,837	195,303
Economic Consulting	61,759	—	—	—	61,759
International Consulting	35,181	10,341	—	4,496	50,018
Total new alignment as of December 31, 2011	326,458	56,962	115,527	71,333	570,280
Goodwill acquired					—
Adjustments	(71)	(23)			(94)
Foreign currency	686				686
Balance at June 30, 2012	$ 327,073	$ 56,939	$ 115,527	$ 71,333	$ 570,872

	CURRENT SEGMENTS				
FORMER SEGMENTS	Disputes, Investigations & Economics	Financial, Risk & Compliance Advisory	Healthcare	Energy	Total
Dispute and Investigative Services	$ 224,291	$ 33,682	$ —	$ —	$ 257,973
Business Consulting Services	—	12,986	113,193	66,837	193,016
Economic Consulting	61,759	—	—	—	61,759
International Consulting	33,428	10,341	—	4,485	48,254
Total new alignment as of December 31, 2010	319,478	57,009	113,193	71,322	561,002
Goodwill acquired	1,856		264	11	2,131
Adjustments	(71)	(23)			(94)
Foreign currency	3,174				3,174
Balance at June 30, 2011	$ 324,437	$ 56,986	$ 113,457	$ 71,333	$ 566,213

In conjunction with the realignment and our annual goodwill impairment test we completed the first step of the goodwill impairment test for our goodwill balance as of May 31, 2012 and determined that the estimated fair value of each reporting unit before and after the realignment exceeded its net asset carrying value. Accordingly, there was no indication of impairment of our goodwill and therefore the second step was not performed.

Based on the new reporting units and our fair value assumptions, the excess of estimated fair value over net asset carrying value of each of our reporting units approximated 18% for Disputes, Investigations & Economics, 37% for Financial, Risk & Compliance Advisory, 17% for Healthcare and 32% for Energy. We estimated fair value of our reporting units based on internal projections completed during our quarterly forecasting process. The key assumptions include: profit margin improvement generally consistent with our longer-term historical performance; revenue growth rates also consistent with our longer-term historical performance also considering our near term investment plans and growth objectives; discount rates that were determined based on comparables for our peer group; and cost of capital based on our averages. Each reporting unit's estimated fair value depends on various factors including their expected ability to achieve profitable growth.

When determining fair value we use various methods, including market, income and cost approaches. With these approaches, we adopt certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk or the risks inherent in the inputs to the valuation. Inputs to the valuation can be readily observable, market-corroborated or unobservable. Wherever possible, we use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs; however, due to the use of our own assumptions about the inputs in measuring fair value, our goodwill impairment testing also makes use of significant unobservable inputs.

For the businesses acquired, (see Note 2 — Acquisitions), we have allocated the purchase prices, including amounts assigned to goodwill and intangible assets, and made estimates of their related useful lives. The amounts assigned to intangible assets for the businesses acquired include non-compete agreements, customer lists and relationships, backlog revenue and trade names.

Our intangible assets have estimated useful lives ranging up to nine years which approximates the estimated periods of consumption. We will amortize the remaining net book values of intangible assets over their remaining useful lives. At June 30, 2012, our intangible assets consisted of the following (amounts shown in thousands, except year data):

Category	Weighted Average Remaining Years	Amount
Customer lists and relationships, net	3.4	$ 10,119
Non-compete agreements, net	2.9	861
Other intangible assets, net	2.9	2,510
Total intangible assets, net	3.3	$ 13,490

Total amortization expense for the six months ended June 30, 2012 and 2011 was $3.4 million and $4.5 million, respectively. Below is the estimated annual aggregate amortization expense to be recorded for the remainder of 2012 and in future years related to intangible assets at June 30, 2012 (shown in thousands):

Year Ending December 31,	Amount
2012 (July - December)	$ 2,798
2013	4,478
2014	3,514
2015	1,719
2016	719
Thereafter	262
Total	$ 13,490

5. NET INCOME PER SHARE (EPS)

Basic net income per share (EPS) is computed by dividing net income by the number of basic shares. Basic shares are the total of the common stock outstanding and the equivalent shares from obligations presumed payable in common stock, both weighted for the average days outstanding for the period. Basic shares exclude the dilutive effect of common stock that could potentially be issued due to the exercise of stock options, vesting of restricted shares, or satisfaction of necessary conditions for contingently issuable shares. Diluted EPS is computed by dividing net income by the number of diluted shares, which are the total of the basic shares outstanding and all potentially issuable shares, based on the weighted average days outstanding for the period.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
Basic shares	51,112	50,820	51,072	50,498
Employee stock options	94	101	158	97
Restricted stock and restricted stock units	479	152	511	158
Business combination obligations payable in fixed dollar amount of shares	—	197	—	400
Diluted shares	51,685	51,270	51,741	51,153
Antidilutive shares[1]	446	876	354	918

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

Obligations to issue a fixed dollar amount of shares where the number of shares is based on the trading price of our shares at the time of issuance were included in the prior year diluted EPS calculation. All of these shares were issued as of December 31, 2011.

We use the treasury stock method to calculate the dilutive effect of our common stock equivalents should they vest. The exercise of stock options or vesting of restricted shares and restricted stock unit shares triggers excess tax benefits or tax deficiencies that reduce or increase the dilutive effect of such shares being issued. The excess tax benefits or deficiencies are based on the difference between the market price of our common stock on the date the equity award is exercised or vested and the cumulative compensation cost of the stock options, restricted shares and restricted stock units. These excess tax benefits are recorded as a component of additional paid-in capital in the accompanying consolidated balance sheets and as a component of financing cash flows in the accompanying consolidated statements of cash flows. The excess tax deficiencies are recorded as a component of additional paid-in capital in the accompanying consolidated balance sheets and as a component of operating cash flows in the accompanying consolidated statements of cash flows.

6. STOCKHOLDERS' EQUITY

The following summarizes the activity of stockholders' equity during the six months ended June 30, 2012 (shown in thousands):

	Dollars	Shares
Stockholders' equity at January 1, 2012	$ 513,678	51,094
Comprehensive income	21,971	—
Issuances of common stock	2,127	237
Issuances of restricted stock, net of forfeitures	—	394
Shares withheld to satisfy individual tax withholding obligations in connection with the vesting of restricted stock	(1,552)	(116)
Tax deficiencies, net of tax benefits on restricted stock and restricted stock units vested, and stock options exercised	(245)	—
Share-based compensation expense	4,939	—
Additional paid-in capital recorded through compensation-related costs	750	—
Common stock repurchased	(7,260)	(564)
Stockholders' equity at June 30, 2012	$ 534,408	51,045

During the six months ended June 30, 2012, we repurchased 563,906 shares of our common stock at a weighted average price of $12.87. During the six months ended June 30, 2012, $0.8 million relating to incentive compensation for the 2011 performance year to be settled in the form of restricted stock units or cash at the employee's election was recorded as additional paid in capital upon their election to receive restricted stock units (see Note 7 – Share-based compensation expense). At June 30, 2012, stockholders equity balance of $534.4 million included an accumulated other comprehensive loss balance of $12.0 million. This balance was comprised of an unrealized net foreign currency translation loss of $11.8 million and an unrealized net loss on interest rate derivatives of $0.2 million.

7. SHARE-BASED COMPENSATION EXPENSE

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
Amortization of restricted stock and restricted stock unit awards	$ 2,240	$ 2,126	$ 4,213	$ 3,490
Amortization of stock option awards	316	261	577	526
Discount given on employee stock purchase transactions through our Employee Stock Purchase Plan	52	46	149	117
Total share-based compensation expense	$ 2,608	$ 2,433	$ 4,939	$ 4,133

Share-based compensation expense attributable to consultants was included in cost of services before reimbursable expenses. Share-based compensation expense attributable to corporate management and support personnel was included in general and administrative expenses.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
Cost of services before reimbursable expenses	$ 1,461	$ 1,481	$ 2,859	$ 2,351
General and administrative expenses	1,147	952	2,080	1,782
Total share-based compensation expense	$ 2,608	$ 2,433	$ 4,939	$ 4,133

Restricted Stock and Restricted Stock Units Outstanding

The measurement price of our restricted stock and restricted stock units is the closing market price of our common stock at the date of grant. Restricted stock and restricted stock units granted prior to May 22, 2012 and outstanding during the periods covered by this report were made under the Navigant Consulting, Inc. 2005 Long-Term Incentive Plan, as amended. Awards granted on or after this date were made under the Navigant Consulting Inc. 2012 Long-Term Incentive Plan approved by the Company's shareholders at its annual meeting held on May 22, 2012.

At June 30, 2012, we had $15.6 million of total compensation costs related to unvested restricted stock and restricted stock units that have not been recognized as share-based compensation expense. The compensation costs will be recognized as an expense over the remaining vesting periods. The weighted average remaining vesting period is approximately two years.

The following table summarizes restricted stock activity:

	For the six months ended June 30,			
	2012		2011	
	Number of Shares (000's)	Weighted Average Measurement Date Price	Number of Shares (000's)	Weighted Average Measurement Date Price
Restricted stock outstanding at beginning of the period	1,052	$ 15.00	1,379	$ 15.61
Granted	—	—	106	9.52
Vested	(367)	15.57	(314)	15.96
Forfeited	(23)	11.42	(11)	18.63
Restricted stock outstanding at end of period	662	$ 14.81	1,160	$ 14.93

The following table summarizes restricted stock unit activity:

	For the six months ended June 30,			
	2012		2011	
	Number of Shares (000's)	Weighted Average Measurement Date Price	Number of Shares (000's)	Weighted Average Measurement Date Price
Restricted stock units outstanding at beginning of the period	702	$ 10.16	70	$ 13.65
Granted	570	13.35	671	9.69
Vested	(27)	12.65	(16)	15.00
Forfeited	(14)	10.53	(3)	15.33
Restricted stock units outstanding at end of period	1,231	$ 11.59	722	$ 9.93

On March 15, 2012, we granted an aggregate of 96,796 restricted stock units to selected executive officers. The restricted stock units will vest on the third anniversary of the grant date if and only to the extent that specified quantitative performance goals over the three-year period are met. Share-based compensation expense for the performance-based awards is determined based on estimated performance against pre-determined measures. The value at target performance is estimated at $1.3 million.

On April 16, 2012, we awarded $3.5 million in incentive compensation to certain senior practitioners as part of a long-term incentive program which provides for awards in the form of restricted stock units or restricted cash, based on employee election and is based on our financial performance for the prior year. Under this program, we granted 154,272 restricted stock units with a fair value of $2.2 million at grant date. The restricted stock units granted cliff-vest three years from grant date. The remaining $1.3 million of the award is payable in cash three years from the grant date.

During the three months ended June 30, 2012, 109,543 restricted stock units with a fair value of $1.5 million at grant date were granted to certain senior practitioners for retention purposes and cliff-vest four years from grant date, and 79,177 restricted stock units with a fair value of $0.9 million (assuming a target level of financial performance) at grant date were granted to our Executive Chairman of the Board of Directors which will vest one year from grant date if certain financial performance targets are achieved.

Stock Options Outstanding

During the six months ended June 30, 2012, we granted 143,621 stock options, with an aggregate fair value of $0.9 million at the grant date, to selected executive officers and non-employee members of our board of directors. These options vest ratably over three years and have an exercise price equal to the closing price of our common stock on the grant date.

Table of Contents

8. SUPPLEMENTAL CONSOLIDATED BALANCE SHEET INFORMATION

Accounts Receivable, net

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

	June 30, 2012	December 31, 2011
Billed amounts	$ 152,841	$ 138,664
Engagements in process	67,275	55,350
Allowance for uncollectible accounts	(14,903)	(14,973)
Accounts receivable, net	$ 205,213	$ 179,041

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

Prepaid expenses and other current assets

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

	June 30, 2012	December 31, 2011
Notes receivable—current	$ 7,996	$ 7,579
Prepaid and income tax receivable	5,451	—
Other prepaid expenses and other current assets	17,091	15,187
Prepaid expenses and other current assets	$ 30,538	$ 22,766

Other assets

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

	June 30, 2012	December 31, 2011
Notes receivable—non-current	$ 11,123	$ 10,707
Prepaid expenses and other non—current assets	14,390	15,246
Other assets	$ 25,513	$ 25,953

Notes receivable represent unsecured employee loans. These loans were issued to recruit and retain certain senior-level consultants. During the six months ended June 30, 2012 and 2011, we issued $5.4 million and $4.0 million, respectively. The principal amount and accrued interest is either paid by the consultant or forgiven by us over the term of the loans so long as the consultant remains continuously employed by us and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans.

Prepaid expenses and other assets include sign-on and retention bonuses that are generally recoverable from an employee if the employee terminates employment prior to fulfilling his or her obligations to us. These amounts are amortized as compensation expense over the period in which they are recoverable from the employee generally in periods up to seven years. During the six months ended June 30, 2012 and 2011, we granted $2.7 million and $5.2 million, respectively, in sign-on and retention bonuses. At June 30, 2012, we had a balance of $16.9 million in unamortized sign-on and retention bonuses included in current prepaid expenses and other current assets and non-current assets.

Property and Equipment, net

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

	June 30, 2012	December 31, 2011
Furniture, fixtures and equipment	$ 62,023	$ 60,935
Software	36,717	35,473
Leasehold improvements	39,935	39,410
Property and equipment, at cost	138,675	135,818
Less: accumulated depreciation and amortization	(96,203)	(94,680)
Property and equipment, net	$ 42,472	$ 41,138

During the six months ended June 30, 2012, we made improvements to our technology infrastructure and expanded into a new lease for office space in Washington, D.C. Additionally, we disposed of $5.8 million in fully depreciated assets. We also made a cash payment of $1.6 million towards liabilities relating to additions made in the prior year and identified $1.6 million of equipment, at cost, as assets held for sale which are now classified in other assets.

Other Current Liabilities

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

	June 30, 2012	December 31, 2011
Deferred acquisition liabilities	$ 12,110	$ 11,732
Deferred revenue	14,663	12,579
Deferred rent	1,753	2,028
Commitments on abandoned real estate	788	1,222
Interest rate swap liability (See Note 10)	—	417
Other liabilities	4,816	4,644
Other current liabilities	$ 34,130	$ 32,622

The deferred acquisition liabilities at June 30, 2012 consisted of cash obligations related to definitive and contingent purchase price considerations, which were recorded at net present value and fair value, respectively. During the six months ended June 30, 2012, we made cash payments of $2.8 million in connection with deferred contingent acquisition liabilities relating to prior period acquisitions and $1.1 million in connection with a definitive deferred acquisition liability. In addition, during the three months ended June 30, 2012, we made a net adjustment of $0.6 million relating to changes in the estimated fair value of performance-based contingent acquisition liabilities included in deferred acquisition liabilities above. The current portion of deferred rent relates to rent allowances and incentives on lease arrangements for our office facilities that expire at various dates through 2022.

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

Other Non-Current Liabilities

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

	June 30, 2012	December 31, 2011
Deferred acquisition liabilities	$ 840	$ 4,326
Deferred rent—long term	11,077	9,429
Commitments on abandoned real estate	303	453
Interest rate swap liability (See Note 10)	355	42
Other non-current liabilities	4,541	6,195
Total other non-current liabilities	$ 17,116	$ 20,445

The deferred acquisition liabilities at June 30, 2012 consisted of cash obligations related to definitive and contingent purchase price considerations, which were recorded at net present value and fair value, respectively.

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

9. SUPPLEMENTAL CONSOLIDATED CASH FLOW INFORMATION

Supplemental information regarding the impact of interest and taxes on cash flows is as follows (shown in thousands):

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Interest paid	$ 2,076	$ 2,949
Income taxes paid, net of refunds	$ 10,697	$ 7,963

10. DERIVATIVES AND HEDGING ACTIVITY

During the six months ended June 30, 2012, the following interest rate swaps were outstanding (summarized based on date of execution):

Date executed	Number of Contracts	Beginning Date	Maturity Date	Rate	Total Notional Amount (millions)
December 2009	4	June 30, 2010	May 31, 2012	1.83%	$60.0
March 2010	2	June 30, 2010	May 31, 2012	1.45%	$30.0
November 2011	1	May 31, 2012	May 31, 2015	0.98%	$10.0
December 2011	2	December 31, 2012	December 31, 2015	1.17%	$10.0
March 2012	1	June 29, 2012	June 30, 2015	1.01%	$5.0
May 2012	1	June 28, 2013	May 27, 2016	1.15%	$5.0

We expect the interest rate derivatives to be highly effective against changes in cash flows related to changes in interest rates and have recorded the derivatives as a hedge. As a result, gains or losses related to fluctuations in fair value of the interest rate derivatives are recorded as a component of accumulated other comprehensive loss and reclassified into interest expense as the variable interest expense on our indebtedness is recorded. There was no ineffectiveness related to the interest rate derivatives during the six months ended June 30, 2012 or 2011. For the six months ended June 30, 2012 and 2011, we recorded $0.5 million and $0.6 million, respectively, in interest expense associated with differentials received or paid under the interest rate derivatives. In May 2012, $90.0 million notional amount interest rate swaps matured.

At June 30, 2012, we had a $0.4 million net liability related to the interest rate derivatives. During the six months ended June 30, 2012, we recorded $0.1 million of unrealized gains related to our derivatives, which is net of income taxes, to accumulated other comprehensive income.

11. BANK DEBT

Our credit agreement provides a five-year, $400.0 million revolving credit facility. At our option, subject to the terms and conditions specified in the credit agreement, we may elect to increase the commitments under the credit facility up to an aggregate amount of $500.0 million. The credit facility matures on May 27, 2016, at which time borrowings will be payable in full. Borrowings and repayments may be made in multiple currencies, including U.S. Dollars, Canadian Dollars, UK Pound Sterling and Euro.

At June 30, 2012, we had aggregate borrowings of $167.7 million, compared to $131.8 million at December 31, 2011. Based on our financial covenants at June 30, 2012, a maximum of approximately $180.0 million was available in additional borrowings under the credit facility.

At our option, borrowings under the credit facility bear interest at a variable rate equal to an applicable base rate or LIBOR, in each case plus an applicable margin. For LIBOR loans, the applicable margin will vary depending upon our consolidated leverage ratio (the ratio of total funded debt to adjusted EBITDA, as defined in the credit agreement). At June

Table of Contents

30, 2012, the applicable margins on LIBOR and base rate loans were 1.25% and 0.25%, respectively. Depending upon our performance and financial condition, our LIBOR loans will have applicable margins varying between 1.00% and 2.00% and our base rate loans will have applicable margins varying between zero and 1.00%. Our average borrowing rate (including the impact of our interest rate swap agreements; see Note 10 — Derivatives and Hedging Activity) was 2.6% and 2.8% for the three months ended June 30, 2012 and 2011, respectively, and 2.9% and 2.8% for the six months ended June 30, 2012 and 2011, respectively.

Our credit agreement contains certain financial covenants, including covenants that require that we maintain a consolidated leverage ratio of not greater than 3.25:1 (except for the first quarter of each calendar year when the covenant requires us to maintain a consolidated leverage ratio of not greater than 3.5:1) and a consolidated interest coverage ratio (the ratio of the sum of adjusted EBITDA, as defined in the credit agreement) and rental expense to the sum of cash interest expense and rental expense) of not less than 2.0:1. At June 30, 2012, under the definitions in the credit agreement, our consolidated leverage ratio was 1.6 and our consolidated interest coverage ratio was 4.2. In addition, the credit agreement contains customary affirmative and negative covenants (subject to customary exceptions), including covenants that limit our ability to incur liens or other encumbrances, make investments, incur indebtedness, enter into mergers, consolidations and asset sales, change the nature of our business and engage in transactions with affiliates, as well as customary provisions with respect to events of default. We were in compliance with the terms of our credit agreement at June 30, 2012; however, there can be no assurances that we will remain in compliance in the future.

12. FAIR VALUE

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

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

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

Level 3: Unobservable inputs for the asset or liability

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our interest rate derivatives (see Note 10 — Derivatives and Hedging Activity) are valued using counterparty quotations in over-the-counter markets. In addition, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk. The credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties. However, at June 30, 2012, we assessed the significance of the impact on the overall valuation and believe that these adjustments are not significant. As such, our interest rate derivatives are classified within Level 2.

At June 30, 2012, the carrying value of our bank debt approximated fair value. We consider the recorded value of our other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at June 30, 2012 based upon the short-term nature of the assets and liabilities.

The following table summarizes the financial liabilities measured at fair value on a recurring basis at June 30, 2012 and December 31, 2011 (shown in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At June 30, 2012				
Interest rate swaps, net (recorded in other non-current liabilities)	—	$ 355	—	$ 355
At December 31, 2011				
Interest rate swaps, net (recorded in other current/non-current liabilities)	—	$ 459	—	$ 459

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

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

Overview

We are an independent specialty consulting firm that combines deep industry knowledge with broad technical expertise. We focus on industries that typically undergo substantial regulatory or structural change and provide services to enable clients to manage the uncertainty, risk and distress caused by those changes. The nature of our services, as well as our clients' demand for our services, are impacted not only by these regulatory and structural changes, but also by the United States and global economies and other significant events specific to our clients.

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

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

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

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

While hiring and retention of personnel is key to driving revenues, excessive FTE levels and related consultant compensation costs may negatively impact margin. From time to time, we utilize independent contractors and project employees to supplement our consultants on certain engagements, which allows us to adjust staffing in response to changes in demand for our services, and manage our costs accordingly.

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

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

Acquisitions

2011 Acquisitions

On July 15, 2011, we acquired the assets of Ignited Solutions, LLC to expand our technology advisory solutions services. Ignited was a discovery services consulting group specializing in electronic discovery data collection, data processing and data hosting. This acquisition included 27 professionals and has been integrated into our Disputes, Investigations & Economics segment. We paid $6.3 million in cash at closing, and Ignited can earn up to $3.0 million of additional payments based on the business achieving certain performance targets over the 30 months after closing. We estimated the fair value of the contingent consideration on the date of purchase to be $2.6 million. The liability was recorded as other current and non-current liabilities. During the six months ended June 30, 2012, we settled $1.0 million of the contingent consideration and recorded $0.4 million of other operating costs reflecting a fair value adjustment of the contingent consideration. At June 30, 2012 the contingent liability balance was $2.0 million (See Note 8 – Supplemental Consolidated Balance Sheet Information). As part of the purchase price allocation, we recorded $1.2 million in accounts receivable, $0.5 million in property and equipment, $1.5 million in identifiable intangible assets and $5.8 million in goodwill. The purchase price paid in cash at closing was funded with borrowings under our credit facility.

Also, during 2011, we acquired two small businesses, one in May 2011 and one in October 2011, for an aggregate purchase price of $4.6 million, of which $2.9 million was paid in cash at closing. One of the acquired businesses was integrated into our Disputes, Investigations & Economics segment and the other was integrated into our Healthcare segment.

Key Operating Metrics

We include the following metrics in order to provide additional operating information related to our business and reporting segments. These key operating metrics may not be comparable to similarly-titled metrics at other companies. During the three months ended June 30, 2012, in connection with our realignment (see Note 3 – Segment Information to the notes to our unaudited consolidated financial statements), we revised the definition of our technology businesses. Our Technology, Data & Process business is composed of technology solutions, invoice and insurance claims processing, market research and benchmarking businesses. Prior period operating metrics have been revised to reflect all changes made to the following definitions.

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

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

Table of Contents

Results for the three and six months ended June 30, 2012 compared to the three and six months ended June 30, 2011

	For the three months ended June 30, 2012	For the three months ended June 30, 2011	2012 over 2011 Increase (Decrease) Percentage	For the six months ended June 30, 2012	For the six months ended June 30, 2011	2012 over 2011 Increase (Decrease) Percentage
Key operating metrics:						
Average FTE						
-Consulting	1,550	1,542	0.5	1,560	1,555	0.3
-Technology, Data & Process	342	222	54.1	334	218	53.2
-Non-billable	532	527	0.9	528	527	0.2
Period end FTE						
-Consulting	1,522	1,546	(1.6)	1,522	1,546	(1.6)
-Technology, Data & Process	351	222	58.1	351	222	58.1
-Non-billable	542	526	3.0	542	526	3.0
Average bill rate	$ 281	$ 283	(0.7)	$ 285	$ 282	1.1
Utilization	73 %	80 %	(8.8)	75 %	79 %	(5.1)

During the three months ended June 30, 2012 compared to the corresponding period in 2011, we reported a $1.2 million decrease in net income. A 4.8% increase in revenues before reimbursements was more than offset by higher costs of services as well as higher general and administrative expenses and higher depreciation expense.

During the six months ended June 30, 2012 compared to the corresponding period in 2011, we reported a $1.7 million, or 8.5%, increase in net income. Revenues before reimbursements increased by 7.3% over the corresponding period in 2011 and were partially offset by increased costs of services, general and administrative expenses and depreciation expense.

Revenues before Reimbursements. For the three months ended June 30, 2012, revenues before reimbursements increased 4.8% compared to the corresponding period in 2011. The growth was aided by the Financial, Risk & Compliance Advisory and Healthcare segments, which saw their revenues before reimbursements increase by 29.2% and 12.4%, respectively, over the corresponding period in 2011. The revenue decline in our Disputes, Investigations & Economics and Energy segments was more than offset by stronger contributions from the other two segments.

Revenues before reimbursements included performance-based fees of $4.8 million for the three months ended June 30, 2012, compared to $1.5 million in the corresponding period in 2011. Currency impacts were minimal for the three months ended June 30, 2012 compared to the corresponding period in 2011.

Utilization levels for the three months ended June 30, 2012 ran at 73%, lower than the 80% utilization rate for the corresponding period in 2011. The decrease in utilization was offset by an increase in contractor and project employee resources, whose billable hours contributed to revenue before reimbursements increase and were not captured in our utilization metric. Average bill rate decreased marginally to $281. Average FTE (Consulting plus Technology) increased by approximately 130 FTEs, or about 7.3% over the prior year—the majority of that increase occurred in our Healthcare segment as well as in our Disputes, Investigations & Economics technology services group.

For the six months ended June 30, 2012, revenues before reimbursements increased 7.3% compared to the corresponding period in 2011. The growth was driven by the Financial, Risk & Compliance Advisory and Healthcare segments, where revenues before reimbursements increased by 25.1% and 10.6%, respectively, over the corresponding period in 2011. Revenues before reimbursements in our Disputes, Investigations & Economics and Energy segments remained virtually flat over the corresponding period in 2011.

Revenues before reimbursements included performance-based fees of $6.7 million for the six months ended June 30, 2012, compared to $5.0 million in the corresponding period in 2011. Currency impacts were minimal for the six months ended June 30, 2012 compared to the corresponding period in 2011.

Utilization levels for the six months ended June 30, 2012 ran at 75%, down from the 79% utilization rate for the corresponding period in 2011. Average bill rate increased to $285 for the six months ended June 30, 2012 compared to $282 for the corresponding period in 2011. Average FTE (Consulting plus Technology, Data & Process) increased by approximately 120 FTEs, or about 6.8% over the prior year.

Cost of Services before Reimbursable Expenses. Cost of services before reimbursable expenses increased 4.6% for the three months ended June 30, 2012 compared to the corresponding period in 2011. The increased cost of services was mainly due to wages and benefits associated with both increased full time, as well as higher project based, staffing levels and sales and marketing expenses.

Cost of services before reimbursable expenses increased 6.3% for the six months ended June 30, 2012 compared to the corresponding period in 2011. The increased cost of services was mainly due to higher wages and benefits associated with increased full time, as well as higher project based, staffing levels.

General and Administrative Expenses. General and administrative expenses increased by $4.7 million, or 15.1%, for the three months ended June 30, 2012 compared to the corresponding period in 2011. The increase was driven by higher costs related to growth, information technology investments, increased wages and benefits and employee and client development expenses. Also contributing to the increase was higher bad debt expense, which increased $0.9 million for the three months ended June 30, 2012 compared to the corresponding period in 2011. Our days sales outstanding at June 30, 2012 and 2011 were 84 and 82 days, respectively. Our allowance for uncollectible accounts receivable is based on historical experience and management judgment and may change based on market conditions or specific client circumstances.

General and administrative expenses were 19.7% and 18.0% of revenues before reimbursements for the three months ended June 30, 2012 and 2011, respectively. The increase was mainly a result of an increase in information technology, wages and medical costs.

General and administrative expenses increased by $7.9 million, or 12.4%, for the six months ended June 30, 2012 compared to the corresponding period in 2011. The increase was driven by higher costs related to growth, increased wages and benefits, information technology investments and employee and client development expenses. Bad debt expense was mostly flat for the six months ended June 30, 2012 compared to the corresponding period in 2011.

General and administrative expenses were 19.4% and 18.5% of revenues before reimbursements for the six months ended June, 2012 and 2011, respectively, for the reasons discussed above.

Depreciation Expense. The increase in depreciation expense of 16.7% and 10.2% for the three and six months ended June 30, 2012, respectively, compared to the corresponding periods in 2011 was primarily due to recent technology infrastructure spending.

Amortization Expense. Amortization expense decreased 23.7% and 24.4% for the three and six months ended June 30, 2012, respectively, compared to the corresponding periods in 2011. This was due to reduced amortization associated with certain intangible assets which became fully amortized as their useful lives came to term, partially offset by increased amortization relating to recent acquisitions.

Other Operating Costs – Contingent Acquisition Liability Adjustment. During the three months ended June 30, 2012, we recorded a $0.6 million expense relating to a fair value adjustment for our contingent acquisition liabilities (see Note 8 – Supplemental Balance Sheet Information to the notes to our unaudited consolidated financial statements).

Interest Expense. Interest expense decreased 25.4% for the three months ended June 30, 2012 compared to the corresponding period in 2011. This was primarily due to lower average borrowings for the three months ended June 30, 2012 compared to the corresponding period in 2011, partially offset by higher amortization of financing fees due to the debt refinancing in 2011. Our average borrowing rate under our credit facility, including the impact of our interest rate swap agreements (see Note 10 — Derivatives and Hedging Activity to the notes to our unaudited consolidated financial statements), was 2.6% and 2.8% for the three months ended June 30, 2012 and 2011, respectively. (See Note 11 – Bank Debt to the notes to our unaudited consolidated financial statements for further information on our bank debt.)

Interest expense decreased 23.0% for the six months ended June 30, 2012 compared to the corresponding period in 2011, for the reasons discussed above. Our average borrowing rate under our credit facility, including the impact of our interest rate swap agreements (see Note 10 — Derivatives and Hedging Activity to the notes to our unaudited consolidated financial statements), was 2.9% and 2.8% for the six months ended June 30, 2012 and 2011, respectively. (See Note 11 – Bank Debt to the notes to our unaudited consolidated financial statements for further information on our bank debt.)

Income Tax Expense. Our effective income tax rate is attributable to the mix of income earned in various tax jurisdictions, including state and foreign jurisdictions, which have different income tax rates as well as various permanent book/tax differences. Our effective income tax rate was 41.5% for each of the three months ended June 30, 2012 and 2011. Our effective income tax rate for the six months ended June 30, 2012 was 42.1% compared to 42.0% for the corresponding period in 2011.

Segment Results

During the three months ended March 31, 2012, Julie M. Howard was named our CEO. As CEO, Ms. Howard fills the role of CODM. Under her direction, a realignment of the firm's practices occurred during second quarter 2012, establishing four new operating and reportable segments that each report to a newly created Executive Vice President position.

The changes combine practices that serve comparable client types and address similar business issues and industry dynamics. The new segment reporting structure provides shareholders and other users of our financial statements with more useful information about several of our key growth businesses, particularly Energy and Healthcare. Finally, the segment realignment represents a shift in overall management of the practices to a global management model, positioning practice leaders to be accountable for the operations and performance of their teams across borders while leveraging local leadership to drive effectiveness. Further information can be found in Note 3 – Segment Information to the notes to our unaudited consolidated financial statements.

Our operating segments will be the same as our reporting segments. Our performance will be assessed and resources are allocated by our CODM based on the following four reportable segments:

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

The following information includes segment revenues before reimbursements, segment total revenues and segment operating profit. Certain unallocated expense amounts related to specific reporting segments have been excluded from the calculation of segment operating profit to be consistent with the information used by management to evaluate segment performance (see Note 3 — Segment Information to the notes to our unaudited consolidated financial statements). Segment operating profit represents total revenues less cost of services excluding long-term compensation expense related to consultants. Long-term compensation expense attributable to consultants includes share-based compensation expense and compensation expense attributed to retention incentives (see Note 8 — Supplemental Consolidated Balance Sheet Information to the notes to our unaudited consolidated financial statements). Key operating metric definitions are provided above.

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

Disputes, Investigations & Economics

	For the three months ended June 30,		2012 over 2011 Increase (Decrease)	For the six months ended June 30,		2012 over 2011 Increase (Decrease)
	2012	**2011**	**Percentage**	**2012**	**2011**	**Percentage**
Revenues before reimbursements (in 000's)	$ 81,350	$ 86,140	(5.6)	$ 172,569	$ 170,937	1.0
Total revenues (in 000's)	$ 86,894	$ 95,472	(9.0)	$ 183,983	$ 186,945	(1.6)
Segment operating profit (in 000's)	$ 27,995	$ 31,191	(10.2)	$ 62,163	$ 60,499	2.8
Key segment operating metrics:						
Segment operating profit margin	34.4%	36.2%	(5.0)	36.0%	35.4%	1.7
Average FTE—Consulting	617	664	(7.1)	625	677	(7.7)
Average FTE – Technology, Data & Process	177	109	62.4	169	110	53.6
Average utilization rates based on 1,850 hours	69%	79%	(12.7)	73%	77%	(5.2)
Average bill rate	$ 340	$ 326	4.3	$ 340	$ 325	4.6

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

Revenues before reimbursements for this segment decreased 5.6% for the three months ended June 30, 2012 compared to the corresponding period in 2011. The decrease was driven mainly by the wind down of a few large engagements, and lower demand related to general litigation. Credit crisis related engagements and continued strength in our technology-related services partially mitigated this decline. Average FTE – Consulting decreased 7.1% for the three months ended June 30, 2012 compared to the corresponding period in 2011 due to attrition in non-critical areas while our technology based staffing levels grew significantly with growing demand and our acquisition of Ignited Solutions in July of 2011, which added 27 FTE's at the time. Average bill rate increased 4.3% for the three months ended June 30, 2012 compared to the corresponding period in 2011, due to staffing mix. Utilization decreased 12.7% for the same period, reflecting softness in demand. Including the impact of our acquisition of Ignited Solutions on a pro forma basis, revenues before reimbursements decreased 7.5% for the three months ended June 30, 2012 compared to the corresponding period in 2011. For the three months ended June 30, 2012, segment operating profit decreased $3.2 million, and segment operating profit margins decreased 1.8 percentage points compared to the corresponding period in 2011, mainly as a result of decreased revenue and higher segment-related marketing costs.

Revenues before reimbursements for this segment increased 1.0% for the six months ended June 30, 2012 compared to the corresponding period in 2011 as a result of our strong first quarter partially offset by lower second quarter results. The increase was mainly a result of continued demand in our credit crisis engagements and strength in our technology services partially offset by the lower demand related to general litigation and a wind down of a few large engagements. For the six months ended June 30, 2012 compared to the corresponding period in 2011, Average FTE – Consulting decreased 7.7% for the reasons discussed above. Average bill rate increased 4.6% for the six months ended June 30, 2012 compared to the corresponding period in 2011, and utilization decreased 5.2% for the same period. Including the impact of our acquisition of Ignited Solutions on a pro forma basis, revenues before reimbursements decreased 1.5% for the six months ended June 30, 2012 compared to the corresponding period in 2011. Segment operating profit increased $1.7 million, and segment operating profit margins increased 0.6 percentage points mainly as a result of increased revenue partially offset by higher segment related marketing costs.

Financial, Risk & Compliance Advisory

	For the three months ended June 30, 2012	For the three months ended June 30, 2011	2012 over 2011 Increase (Decrease) Percentage	For the six months ended June 30, 2012	For the six months ended June 30, 2011	2012 over 2011 Increase (Decrease) Percentage
Revenues before reimbursements (in 000's)	$ 42,800	$ 33,134	29.2	$ 80,030	$ 63,969	25.1
Total revenues (in 000's)	$ 52,847	$ 37,408	41.3	$ 96,675	$ 73,565	31.4
Segment operating profit (in 000's)	$ 15,402	$ 11,136	38.3	$ 29,157	$ 21,378	36.4
Key segment operating metrics:						
Segment operating profit margin	36.0%	33.6%	7.1	36.4%	33.4%	9.0
Average FTE—Consulting	276	242	14.0	274	241	13.7
Average utilization rates based on 1,850 hours	70%	79%	(11.4)	72%	79%	(8.9)
Average bill rate	$ 299	$ 340	(12.1)	$ 303	$ 329	(7.9)

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

Revenues before reimbursements for this segment increased 29.2% for the three months ended June 30, 2012 compared to the corresponding period in 2011. The increase was mainly a result of ongoing success of several major engagements in the mortgage servicing review area. Also, contributing to the increase were performance based fees which totaled $3.9 million and $1.1 million for the three months ended June 30, 2012 and 2011, respectively. Average FTE – Consulting increased 14.0% for the three months ended June 30, 2012 compared to the corresponding period in 2011 mainly due to increased demand for mortgage reviews and demand for compliance services during 2011 and early 2012. Average bill rate decreased 12.1% for the three months ended June 30, 2012 compared to the corresponding period in 2011, mainly due to increased leverage. Utilization decreased 11.4% for the same period. This segment utilizes a large number of contractors and project employees, which are not captured in the utilization or FTE metrics. The actual hours generating margin exceeds the hours worked by our FTE employees. Segment operating profit increased $4.3 million and segment operating profit margins increased 2.4 percentage points mainly as a result of project mix, performance based fees and staffing mix offset by an increase in wages and benefits as a result of the additional headcount and higher segment-related marketing costs.

Revenues before reimbursements for this segment increased 25.1% for the six months ended June 30, 2012 compared to the corresponding period in 2011. This segment achieved significant growth, mainly as a result of the ongoing success of several major engagements in the mortgage servicing area. Also, performance based fees totaled $5.3 million and $1.9 million for the six months ended June 30, 2012 and 2011, respectively. Average FTE – Consulting increased 13.7% for the six months ended June 30, 2012 compared to the corresponding period in 2011 for reasons discussed above. Average bill rate decreased 7.9% and utilization decreased 8.9% for the six months ended June 30, 2012 compared to the corresponding period in 2011 for similar reasons discussed above. For the six months ended June 30, 2012, segment operating profit increased $7.8 million and segment operating profit margins increased 3.0 percentage points compared to the corresponding period in 2011, mainly a result of project and staffing mix offset by an increase in wages and benefits as a result of the additional headcount and higher segment-related marketing costs.

Table of Contents

Healthcare

	For the three months ended June 30,		2012 over 2011 Increase (Decrease)	For the six months ended June 30,		2012 over 2011 Increase (Decrease)
	2012	2011	Percentage	2012	2011	Percentage
Revenues before reimbursements (in 000's)	$ 36,022	$ 32,041	12.4	$ 72,564	$ 65,597	10.6
Total revenues (in 000's)	$ 40,839	$ 36,102	13.1	$ 81,765	$ 73,270	11.6
Segment operating profit (in 000's)	$ 11,463	$ 9,659	18.7	$ 22,933	$ 20,373	12.6
Key segment operating metrics:						
Segment operating profit margin	31.8%	30.1%	5.6	31.6%	31.1%	1.6
Average FTE—Consulting	355	346	2.6	360	351	2.6
Average FTE – Technology, Data & Process	155	113	37.2	155	108	43.5
Average utilization rates based on 1,850 hours	79%	79%	—	79%	78%	1.3
Average bill rate	$ 250	$ 241	3.7	$ 251	$ 242	3.7

The Healthcare segment provides strategic, operational, management and financial advisory services to health systems, physician practice groups, payers and life sciences companies.

Revenues before reimbursements for this segment increased 12.4% for the three months ended June 30, 2012 compared to the corresponding period in 2011. The U.S. healthcare industry continues to drive change for our payer, provider and physician clients, resulting in our revenue growth. Additionally, our life sciences market continues to gain traction. Utilization was a strong 79% for the three months ended June 30, 2012, remaining flat with the corresponding period in 2011. Average FTE —Technology, Data & Process increased 37.2% for the three months ended June 30, 2012 compared to the corresponding period in 2011 to support our growing claims and billing processing and technology solutions clients. Average bill rate increased 3.7% for the same period. For the three months ended June 30, 2012, segment operating profit increased $1.8 million, and segment operating profit margin increased 1.7 percentage points compared to the corresponding period in 2011, due to higher revenue partially offset by increased wages and benefits as a result of the higher headcount.

Revenues before reimbursements for this segment increased 10.6% for the six months ended June 30, 2012 compared to the corresponding period in 2011. Utilization increased slightly while average FTE – Consulting increased 2.6% and average FTE —Technology, Data & Process increased 43.5% for the six months ended June 30, 2012 compared to the corresponding period in 2011 for the reasons discussed above. For the six months ended June 30, 2012, segment operating profit increased $2.6 million, and segment operating profit margins increased 0.5 percentage points compared to the corresponding period in 2011.

Table of Contents

Energy

	For the three months ended June 30, 2012	For the three months ended June 30, 2011	2012 over 2011 Increase (Decrease) Percentage	For the six months ended June 30, 2012	For the six months ended June 30, 2011	2012 over 2011 Increase (Decrease) Percentage
Revenues before reimbursements (in 000's)	$ 21,357	$ 21,978	(2.8)	$ 42,746	$ 42,394	0.8
Total revenues (in 000's)	$ 24,020	$ 25,426	(5.5)	$ 48,798	$ 49,427	(1.3)
Segment operating profit (in 000's)	$ 7,475	$ 8,324	(10.2)	$ 14,729	$ 16,058	(8.3)
Key segment operating metrics:						
Segment operating profit margin	35.0%	37.9%	(7.7)	34.5%	37.9%	(9.0)
Average FTE—Consulting	302	290	4.1	301	286	5.2
Average FTE – Technology, Data & Process	10	—	n/a	10	—	n/a
Average utilization rates based on 1,850 hours	76%	83%	(8.4)	76%	82%	(7.3)
Average bill rate	$ 192	$ 189	1.6	$ 193	$ 190	1.6

The Energy segment provides existing and prospective owners of energy supply and delivery assets with the ability to evaluate, plan, develop and enhance the value of their entities in concert with evolving market and regulatory structures. Clients include utilities, independent power producers, financial entities, law firms, regulators and energy equipment providers.

Revenues before reimbursements for this segment decreased 2.8% for the three months ended June 30, 2012 compared to the corresponding period in 2011. The decrease relates to delayed initiation of a few significant engagements. Utilization decreased 8.4% for the three months ended June 30, 2012 compared to the corresponding period in 2011 due to the delayed start of a few engagements, as discussed above. Average FTE — Consulting increased 4.1% for the three months ended June 30, 2012 compared to the corresponding period in 2011, primarily in the energy efficiency group. For the three months ended June 30, 2012, segment operating profit decreased $0.8 million, and segment operating profit margin decreased 2.9 percentage points compared to the corresponding period in 2011 due to lower utilization and higher wages and benefits costs. In July 2012, we announced the acquisition of Pike Research, which is expected to complement the segment with its subscription revenues.

Revenues before reimbursements for this segment increased 0.8% for the six months ended June 30, 2012 compared to the corresponding period in 2011. Utilization decreased 7.3% for the six months ended June 30, 2012 compared to the corresponding period in 2011. Average FTE —Consulting increased 5.2% for the six months ended June 30, 2012 compared to the corresponding period in 2011. For the six months ended June 30, 2012, segment operating profit decreased $1.3 million, and segment operating profit margin decreased 3.4 percentage points compared to the corresponding period in 2011, due to lower utilization and higher wages and benefits costs.

Liquidity and Capital Resources

Our cash flow activities were as follows (shown in thousands) for the six months ended June 30,

	2012	2011
Net cash (used in) provided by operating activities	$ (16,665)	$ 13,959
Net cash used in investing activities	(13,296)	(14,889)
Net cash provided by (used in) financing activities	27,027	(770)

Generally, our net cash provided by operating activities is used to fund our day to day operating activities, augmented by borrowings under our credit facility. First quarter operating cash requirements are generally higher due to payment of our annual incentive bonuses while subsequent quarters' net cash from operations are expected to be positive. We continued with our share repurchase program initiated in the fourth quarter of 2011 and continued to support our Technology, Data & Process businesses with capital expenditures relating to software development and data capacity. Our cash equivalents are primarily limited to money market accounts or A' rated securities, with maturity dates of 90 days or less.

We calculate accounts receivable days sales outstanding (DSO) by dividing the accounts receivable balance, net of reserves and deferred revenue credits, at the end of the quarter, by daily net revenues. Daily net revenues are calculated by taking quarterly net revenues divided by 90 days, approximately equal to the number of days in a quarter. Calculated as such, DSO was 84 days at June 30, 2012, compared to 82 days at June 30, 2011.

Operating Activities

Net cash used in operating activities was $16.7 million for the six months ended June 30, 2012 compared to $14.0 million net cash provided by operating activities for the corresponding period in 2011. The decrease in cash provided by operating activities was primarily due to higher incentive bonus payments for the 2011 performance year paid in 2012 and a higher accounts receivable balance.

Investing Activities

Net cash used in investing activities was $13.3 million for the six months ended June 30, 2012 compared to $14.9 million for the corresponding period in 2011. Higher capital expenditures as we invest in our technology infrastructure and higher furniture and fixture spending relating to new office space in Washington, D.C. was offset by lower acquisition liability payments in 2012.

In July 2012, we acquired Pike Research, an energy market intelligence and industry report firm, for which $1.9 million was paid in cash at closing, $1.0 million in deferred purchase price obligations are payable a year from closing and $4.0 million in contingent earn-out obligations, if earned, will be payable over three years from closing.

Financing Activities

Net cash provided by financing activities increased to $27.0 million for the six months ended June 30, 2012 compared to net cash used in financing activities of $0.8 million for the corresponding period in 2011. The increase was primarily due to borrowings under our credit facility used to pay increased incentive bonus payments which were higher in 2012 due to a strong 2011 performance year. In addition, during the six months ended June 30, 2012, we purchased 563,906 shares of our common stock in the open market for $7.3 million. Also during the six months ended June 30, 2012, certain contingent acquisition liabilities were paid relating to prior year acquisitions.

Debt, Commitments and Capital

We currently have an unsecured credit agreement with a syndicate of banks which provides a five-year, $400.0 million revolving credit facility. At our option, subject to the terms and conditions specified in the credit agreement, we may elect to increase the commitments under the credit facility up to an aggregate amount of $500.0 million. The credit facility matures on May 27, 2016, at which time borrowings will be payable in full. Borrowings and repayments may be made in multiple currencies including U.S. Dollars, Canadian Dollars, UK Pound Sterling and Euro. At June 30, 2012, we had aggregate borrowings of $167.7 million, compared to $131.8 million at December 31, 2011 and $205.2 million at June 30, 2011. Based on our financial covenant restrictions at June 30, 2012, a maximum of approximately $180.0 million was available in additional borrowings under the credit facility. For further details and terms of the agreement, see Note 11- Bank Debt to the notes to our unaudited consolidated financial statements.

Our credit agreement contains certain financial covenants, including covenants that require that we maintain a consolidated leverage ratio (the ratio of total funded debt to adjusted EBITDA, as defined in the credit agreement) of not greater than 3.25:1 (except for the first quarter of each calendar year when the covenant requires us to maintain a consolidated leverage ratio of not greater than 3.5:1) and a consolidated interest coverage ratio (the ratio of the sum of adjusted EBITDA (as defined in the credit agreement) and rental expense to the sum of cash interest expense and rental expense) of not less than 2.0:1.

At June 30, 2012, under the definitions in the credit agreement, our consolidated leverage ratio was 1.6 and our consolidated interest coverage ratio was 4.2. In addition, the credit agreement contains customary affirmative and negative covenants (subject to customary exceptions), including covenants that limit our ability to incur liens or other encumbrances, make investments, incur indebtedness, enter into mergers, consolidations and asset sales, change the nature of our business and engage in transactions with affiliates, as well as customary provisions with respect to events of default. We were in compliance with the terms of our credit agreement as of June 30, 2012; however, there can be no assurances that we will remain in compliance in the future.

At June 30, 2012, including the above mentioned credit facility, we had total contractual obligations of $297.4 million. The following table shows the components of our significant commitments at June 30, 2012 and the scheduled years of payments (shown in thousands):

Contractual Obligations	Total	2012	2013 to 2014	2015 to 2016	Thereafter
Deferred acquisition liability	$ 12,950	$ 9,637	$ 3,313	$ 0	$ 0
Purchase agreements	4,165	0	4,165	0	0
Revolving credit facility	167,656	0	0	167,656	0
Lease commitments	112,675	13,721	39,794	26,763	32,397
	$ 297,446	$ 23,358	$ 47,272	$ 194,419	$ 32,397

We have commitments recorded in other current and non-current liabilities of approximately $4.2 million (reflected in table above) relating to costs associated with an information technology infrastructure project that we commenced during the quarter ended December 31, 2011 to support our corporate technology needs in addition to the needs of our expanding technology business. In addition, we have various contracts with information technology related vendors to support our enterprise reporting system which contain termination clauses allowing us to terminate the contracts for a penalty. Currently, we do not expect, however, to terminate these contracts and expect to pay approximately $4.0 million over the next three years through 2014. At June 30, 2012, we had $13.0 million in liabilities relating to deferred acquisition liability obligations (reflected in the table above). Of this balance, $8.5 million is in the form of contingent acquisition liability obligations which was recorded at estimated fair value and discounted to present value. Settlement of the liabilities is contingent upon certain acquisitions meeting performance targets. Should each of these acquisitions reach their maximum target, our maximum payout would be $10.4 million.

On October 25, 2011, our board of directors extended until December 31, 2014 its previous authorization to repurchase up to $100.0 million of our common stock, in open market or private transactions. During the six months ended June 30, 2012, we repurchased 563,906 shares for $7.3 million. Through June 30, 2012, we have repurchased 798,206 shares for approximately $9.8 million.

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

Off-balance Sheet Arrangements

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

Critical Accounting Policies

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2011.

Recent Accounting Pronouncements

Recently Adopted Standards

In September 2011, the Financial Accounting Standards Board issued guidance which adds an optional qualitative assessment to goodwill impairment testing under Topic 350 — Intangibles — goodwill and other. The new guidance permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes that it is not likely that the fair value of the reporting unit is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. The guidance lists certain factors to consider when making the qualitative assessment. The guidance is effective for annual or interim goodwill tests performed for fiscal years beginning after December 15, 2011. We adopted this guidance effective January 1, 2012. The adoption of this guidance did not have any impact on our financial statements.

In June 2011, the Financial Accounting Standards Board issued guidance which requires public entities to increase the prominence of other comprehensive income in financial statements. Under Topic 220 — Presentation of Comprehensive Income, an entity will have the option to present the components of net income and comprehensive income in either one or two financial statements. This update eliminates the option to present other comprehensive income in the statement of changes in equity. This update is effective for fiscal years and interim periods beginning after December 15, 2011. We adopted this guidance effective January 1, 2012. The adoption of this guidance impacted our disclosures only.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

At June 30, 2012, borrowings under our credit facility bear interest, in general, based on a variable rate equal to an applicable base rate (equal to the higher of a reference prime rate or one half of one percent above the federal funds rate) or LIBOR, in each case plus an applicable margin. We are exposed to interest rate risk relating to the fluctuations in LIBOR. We use interest rate swap agreements to manage our exposure to fluctuations in LIBOR.

At June 30, 2012, our interest rate swaps effectively fixed our LIBOR base rate on $15.0 million of our debt. Based on borrowings under the credit facility at June 30, 2012 and after giving effect to the impact of our interest rate swap agreements, our interest rate exposure is limited to $152.7 million of debt, and each quarter point change in market interest rates would result in approximately a $0.4 million change in annual interest expense.

At June 30, 2012, our cash equivalents were primarily limited to money market accounts or A' rated securities, with maturity dates of 90 days or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates rise. Because of the short periods to maturity of these instruments, an increase in interest rates would not have a material effect on our financial position or results of operations.

We operate in various foreign countries, which expose us to market risk associated with foreign currency exchange rate fluctuations. At June 30, 2012, we had net assets of approximately $75.4 million with a functional currency of the UK Pound Sterling and $26.4 million with a functional currency of the Canadian Dollar related to our operations in the United Kingdom and Canada, respectively. At June 30, 2012, we had net assets denominated in the non-functional currency of approximately $1.3 million. As such, a ten percent change in the value of the local currency would result in $0.1 million currency gain or loss in our results of operations. Excess cash held outside the United States is immaterial and therefore we have limited exposure to repatriating funds back to the United States.

Item 4. Controls and Procedures.

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

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

Table of Contents

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not party to any material legal proceedings.

Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

The following table sets forth repurchases of our common stock during the second quarter of 2012:

Period	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(b)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs(b)
April 1-30, 2012	91,369	$ 14.13	80,000	$ 93,277,264
May 1-31, 2012	127,227	$ 12.95	125,900	$ 91,646,494
June 1-30, 2012	127,792	$ 11.62	126,000	$ 90,182,337
Total	346,388	$ 12.77	331,900	$ 90,182,337

(a) Includes 14,488 shares of our common stock withheld by us to satisfy individual tax withholding obligations in connection with the vesting of restricted stock during the period.

(b) On October 25, 2011, our board of directors extended until December 31, 2014 its previous authorization to repurchase up to $100 million of our common stock in open market or private transactions.

[Table of Contents](#)

Item 6. Exhibits

The following exhibits are filed with this report:

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Navigant Consulting, Inc., effective May 22, 2012 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 23, 2012).
10.1	Second Amendment to Employment Agreement, effective as of May 11, 2012, by and between Navigant Consulting, Inc. and William M. Goodyear.
10.2	Letter Agreement, dated June 28, 2012, between Navigant Consulting, Inc. and William M. Goodyear Regarding Grants of Restricted Stock Units.
10.3	Form of Performance-Based Restricted Stock Unit Award Agreement (2012 Long-Term Incentive Plan).
10.4	Navigant Consulting, Inc. 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 23, 2012).
10.5	Navigant Consulting, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on May 23, 2012).
10.6	Form of Non-Employee Director Stock Option Agreement (2012 Long-Term Incentive Plan).
10.7	Form of Non-Employee Director Restricted Stock Unit Award Agreement (2012 Long-Term Incentive Plan).
31.1	Certification of Chief Executive Officer required by Rule 13a-14 of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer required by Rule 13a-14 of the Securities Exchange Act.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
101*	Interactive Data File.

* As provided in Rule 406T of Regulation S-T, this information is furnished not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

[Table of Contents](#)

SIGNATURES

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

Navigant Consulting, Inc.

By: /S/ JULIE M. HOWARD
Julie M. Howard
Chief Executive Officer

By: /S/ THOMAS A. NARDI
Thomas A. Nardi
Executive Vice President and
Chief Financial Officer

Date: July 27, 2012

SECOND AMENDMENT
TO
AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This **SECOND AMENDMENT TO EMPLOYMENT AGREEMENT** ("Amendment"), made effective as of May 11, 2012 (the "Effective Date"), by and between Navigant Consulting, Inc., a Delaware corporation (the "Company"), and William M. Goodyear (the "Executive"). The Company and the Executive are referred to jointly below as the "Parties."

WHEREAS, the Company and the Executive previously entered into that certain Amended and Restated Employment Agreement, effective as of January 1, 2009, as amended by the First Amendment to the Employment Agreement, effective as of March 1, 2012 (the "Amended Employment Agreement"); and

WHEREAS, the Parties now consider it desirable to further amend the Amended Employment Agreement to reflect certain changes agreed to by the Company and the Executive with respect to the circumstances in which the Executive shall be entitled to receive cash severance benefits in the event of a termination of the Executive's employment with the Company.

NOW THEREFORE, in accordance with Paragraph 14(a) of the Amended Employment Agreement and in consideration of the mutual promises herein made, the sufficiency of which are expressly acknowledged, the Parties agree to further amend the Amended Employment Agreement, effective as of the Effective Date, as follows:

1. By substituting the following in place of Paragraph 8(a) of the Amended Employment Agreement:

"(a) Termination by the Company Without Cause. In consideration for the Executive's waiver of certain rights he had under this Agreement prior to the Amendment Effective Date, the Company has agreed that, except as set forth in Paragraph 8(c) below, upon the Executive's Separation from Service within the meaning of Section 409A of the Code (a Separation from Service') prior to the expiration of the Employment Term by reason of the Company's termination of the Executive's employment without Cause, the Company shall pay the Executive an amount equal to two times the sum of (i) the Executive's Base Salary in effect immediately prior to the Amendment Effective Date plus (ii) the average of his annual bonuses for the three most recent years prior to the Amendment Effective Date, within ten days after such Separation from Service. This payment would be in lieu of and not in addition to any other payment under this Paragraph 8."

2. By substituting the following for Paragraph 8(b):

"(b) Intentionally Omitted"

3. By substituting the following in place of Paragraph 8(c) of the Amended Employment Agreement:

"(c) Termination by the Company other than without Cause or by Employee for any reason. If, during the Employment Term, the Executive incurs a Separation from Service for any reason (including Employee's death or Disability) other than by the Company without Cause as set forth in Paragraph 8(a) above, then the Company shall have no further obligation to the Executive other than the obligation to pay to the Executive (i) his Base Salary through the date of Separation from Service and (ii) any other compensation and benefits due to the Executive in accordance with this Agreement, in each case to the extent theretofore unpaid."

IN WITNESS WHEREOF, the Parties have executed this Amendment this 28th day of June 2012.

/s/ William M. Goodyear	**Navigant Consulting, Inc.**
William M. Goodyear	
	By: /s/ Stephan James
	Its: Chairman, Compensation Committee

EXHIBIT 10.2

June 28, 2012

Mr. William M. Goodyear

Dear Bill:

This letter agreement memorializes the agreement between Navigant Consulting, Inc. (the "Company") and you made on May 11, 2012 with respect to the restricted stock units ("RSUs") to be granted to you in connection with your continuation of employment as Executive Chairman of the Company's Board of Directors. This letter agreement supersedes in its entirety the letter agreement, dated February 22, 2012, between you and the Company.

Pursuant to our agreement, on June 1, 2012 you were awarded RSUs with an approximate value of $1,000,000 under the terms and conditions of the Navigant Consulting, Inc. 2012 Long-Term Incentive Plan, which RSUs are evidenced by (and are subject to) the 2012 Restricted Stock Unit Award Agreement in the form attached hereto (the "2012 Award Agreement"). As set forth in the 2012 Award Agreement, the RSUs granted on June 1, 2012 will vest on May 31, 2013, subject to your continued employment through such date and the achievement of the performance-based vesting conditions set forth in Section 3 of the 2012 Award Agreement.

Sincerely,
/s/ Stephan James
Stephan James
Chairman of the Compensation Committee of the Board of Directors

Accepted: /s/ William M. Goodyear
William M. Goodyear

Date:

Enclosures

FORM OF RESTRICTED STOCK UNIT AWARD AGREEMENT

NAVIGANT CONSULTING, INC.
2012 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

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

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

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

3. Vesting Conditions.

3.1. Service-Based Vesting Condition. Except as otherwise provided in this Section 3, the Award shall vest on [______], provided the Holder remains continuously employed by the Company or one of its affiliates through such date. The period of time prior to the vesting shall be referred to herein as the "Restriction Period."

3.2. Performance-Based Vesting Conditions. Of the Stock subject to this Award: [__]% of the Stock shall be "Tranche 1 Stock" and [____]% of the Stock shall be "Tranche 2 Stock." The Tranche 1 Stock and the Tranche 2 Stock shall vest and become payable pursuant to the terms of this Agreement and the Plan based on the achievement of the performance goals set forth below over the [______] performance period (the "Performance Period"), provided that the Participant remains in continuous employment with the Company or one of its affiliates through the end of the Restriction Period. Attainment of the performance goals shall be determined and certified by the Committee in writing within 60 days following the last day of the Performance Period.

(a) Tranche 1 Stock

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

	Company Percentile Rank v. TSR Comparator Group	Percent of Tranche 1 Stock that Shall Vest*
Below Threshold	Below the [____]th percentile	[____]%
Threshold	[____]th percentile	[____]%
Target	[____]th percentile	[____]%
Maximum	[____]th percentile and above	[____]%

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

(b) Tranche 2 Stock

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

	[_________]	Percent of Tranche 2 Stock that Shall Vest*
Below Threshold	Less than $[____] million	[____]%
Threshold	$[____] million	[____]%
Target	$[____] million	[____]%
Maximum	$[____] million and above	[____]%

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

(c) Definitions

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

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

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

3.3. Termination of Employment.

3.3.1. Termination as a Result of Holder's Death or Disability or by the Company other than for Cause. If the Holder's employment with the Company terminates prior to the end of the Restriction Period by reason of (i) the Holder's death or Disability or (ii) the Company's termination of the Holder's employment other than for Cause, then in any such case, the portion of the Award that was not vested immediately prior to such termination of employment shall be 100% vested upon such termination of employment.

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

3.3.3. Definitions. For purposes of this Award, "Cause" and "Disability" shall have the meanings set forth in the Holder's employment agreement with the Company, dated [______].

4. Delivery of Certificates. Subject to Section 6, as soon as practicable (but not later than 30 days) after the vesting of the Award, the Company shall deliver or cause to be delivered one or more certificates issued in the Holder's name (or such other name as is acceptable to the Company and designated in writing by the Holder) representing the number of vested shares. Notwithstanding the foregoing, in the event that (i) the Holder is a "covered employee" as defined under Section 162(m) of the Code with respect to the taxable year in which the shares subject to the Award would otherwise be delivered, and (ii) the sum of the value of the shares of Stock deliverable to the Holder under the Award and other compensation payable by the Company exceeds the deduction limits under Section 162(m) of the Code, then the portion of the shares subject to the Award that when added to such other compensation would result in the Holder receiving compensation in excess of the deduction limits under Section 162(m) of the Code shall be distributed to the Holder upon the earlier to occur of (A) the earliest date at which the Company reasonably anticipates that the deduction of the shares of Stock subject to the Award will not be limited by application of Section 162(m) the Code and (B) by the end of the calendar year in which the Holder terminates employment. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in Section 6. Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Company or in such shares of Stock, and will have the status of a general unsecured creditor of the Company.

5. Transfer Restrictions and Investment Representation.

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

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

6. Additional Terms and Conditions of Award.

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

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

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

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

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

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

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

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

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

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

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

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

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

6.13. Compliance With Section 409A of the Code. This Award is intended to comply with Section 409A of the Code, and shall be interpreted and construed accordingly. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of employment, the applicable shares of Stock shall be transferred to the Holder or his or her beneficiary upon the Holder's "separation from service," within the meaning of Section 409A of the Code; provided that if the Holder is a "specified employee," within the meaning of Section 409A of the Code, on the date of the Holder's separation from service, then to the extent this Award (i) constitutes the payment of nonqualified deferred compensation and (ii) will be settled upon the Holder's separation from service, then the shares to be delivered upon the Holder's separation from service shall be transferred to the Holder or his or her beneficiary upon the earlier to occur of (i) the six-month anniversary of such separation from service or (ii) the date of the Holder's death.

NAVIGANT CONSULTING, INC.

By:____
____

Accepted this ____ day of______________ 20____

[Insert Name of Holder]

FORM OF NON-EMPLOYEE DIRECTOR STOCK OPTION AGREEMENT

NAVIGANT CONSULTING, INC.
2012 LONG-TERM INCENTIVE PLAN

NON-EMPLOYEE DIRECTOR OPTION AWARD NOTICE

[Name of Optionee]

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

Option:	You have been awarded a Nonqualified Stock Option to purchase from the Company [______] shares of its Common Stock, par value $0.001 per share, subject to adjustment as provided in Section 3.3 of the Agreement.
Option Date:	[______]
Exercise Price:	$[______] per share, subject to adjustment as provided in Section 3.3 of the Agreement.
Vesting Schedule:	Except as otherwise provided in the Plan, Agreement or any other agreement between the Company and Optionee, the Option shall vest (i) on the first anniversary of the Option Date with respect to one-third of the number of shares subject thereto on the Option Date, (ii) on the second anniversary of the Option Date with respect to an additional one-third of the number of shares subject thereto on the Option Date and (iii) on the third anniversary of the Option Date with respect to the remaining one-third of the number of shares subject thereto on the Option Date, provided you continuously serve the Company as a Non-Employee Director through each such date.
Expiration Date:	Except to the extent earlier terminated pursuant to Section 2.2 of the Agreement or earlier exercised pursuant to Section 2.3 of the Agreement, the Option shall terminate at 5:00 p.m., Central time, on the sixth anniversary of the Option Date.

NAVIGANT CONSULTING, INC.
By: ____
Name:
Title:

Acknowledgment, Acceptance and Agreement:

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

Optionee

Date

Navigant Consulting, Inc.
Attention: General Counsel
30 S. Wacker Dr., Suite 3550
Chicago, IL 60606

NAVIGANT CONSULTING, INC.
2012 LONG-TERM INCENTIVE PLAN

NON-EMPLOYEE DIRECTOR STOCK OPTION AGREEMENT

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

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

2. Time and Manner of Exercise of Option.

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

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

(a) Termination of Service as a Result of Optionee's Death or Disability. If Optionee's service as a Non-Employee Director ceases by reason of Optionee's death or Disability, then the Option, to the extent vested on the effective date of such termination of service, may thereafter be exercised by Optionee or Optionee's executor, administrator, legal representative, guardian or similar person until and including the earlier to occur of (i) the date which is one year after the date of such termination of service and (ii) the Expiration Date. For purposes of this Agreement, "Disability" shall mean the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

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

(c) Termination by Company for Cause. If Optionee's service as a Non-Employee Director terminates by reason of the Company's termination of Optionee's service for Cause, then the Option, whether or not vested, shall terminate immediately upon such termination of service. For purposes of this Award, "Cause" shall mean: (i) the commission of a felony or the commission of any other crime that is injurious to the Company, to a Company employee or to a client of the Company; (ii) willful misconduct, dishonesty, fraud, attempted fraud or other willful action or willful failure to act that is injurious to the Company, to a Company employee or to a client of the Company; (iii) any material breach of fiduciary duty owed to the Company or to a client of the Company; (iv) any material breach of the terms of any agreement with the Company (including without limitation any agreement regarding non-competition, non-solicitation of clients or employees, or confidentiality); (v) any material violation of a restriction on disclosure or use of privileged, proprietary or confidential information (including information belonging to the Company, to a client of the Company or to a third party to whom the Company owes a duty of confidentiality), but only if such violation is committed with actual notice of such restriction on disclosure; or (vi) any other material breach of the Company's Code of Business Conduct and Ethics or its securities trading policies, as amended from time to time. The determination by the Committee of the existence of Cause shall be conclusive and binding.

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

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

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

3. Additional Terms and Conditions of Option.

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

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

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

3.4. Change in Control. In the event of a Change in Control, the Option, to the extent it is then outstanding, shall become fully vested and shall be subject to Section 5.8(b) of the Plan.

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

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

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

3.8. Option Confers No Rights to Continued Service. In no event shall the granting of the Option or its acceptance by Optionee, or any provision of this Agreement or the Plan, give or be deemed to give Optionee any right to continued service as a Non-Employee Director.

4. Miscellaneous Provisions.

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

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

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

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

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

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

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

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

NON-EMPLOYEE DIRECTOR RESTRICTED STOCK UNIT AWARD AGREEMENT

NAVIGANT CONSULTING, INC.
2012 LONG-TERM INCENTIVE PLAN

NON-EMPLOYEE DIRECTOR RESTRICTED STOCK UNIT AWARD AGREEMENT

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

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

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

3. Restriction Period and Vesting.

3.1. Service-Based Vesting Condition. Except as otherwise provided in this Section 3, the Award shall vest (i) on the first anniversary of the Grant Date with respect to one-third of the number of shares subject thereto on the Grant Date, (ii) on the second anniversary of the Grant Date with respect to an additional one-third of the number of shares subject thereto on the Grant Date and (iii) on the third anniversary of the Grant Date with respect to the remaining one-third of the number of shares subject thereto on the Grant Date, provided the Holder continuously serves as a Non-Employee Director through the applicable vesting date. The period of time prior to the vesting shall be referred to herein as the "Restriction Period."

3.2. Change in Control. Upon a Change in Control, the Restriction Period shall lapse and the Award shall become fully vested and shall be subject to Section 5.8(b) of the Plan.

3.3. Termination of Service. If the Holder's service as a Non-Employee Director terminates prior to the end of the Restriction Period for any reason, then the portion of the Award that was not vested immediately prior to such termination of service shall be immediately forfeited by the Holder and cancelled by the Company.

4. Delivery of Certificates. Subject to Section 6, as soon as practicable (but not later than 30 days) after the vesting of the Award, in whole or in part, the Company shall deliver or cause to be delivered one or more certificates issued in the Holder's name (or such other name as is acceptable to the Company and designated in writing by the Holder) representing the number of vested shares. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery. Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Company or in such shares of Stock, and will have the status of a general unsecured creditor of the Company.

5. Transfer Restrictions and Investment Representation.

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

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

6. Additional Terms and Conditions of Award.

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

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

6.3. Award Confers No Rights to Continued Service. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement, give or be deemed to give the Holder any right to continued service as a Non-Employee Director.

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

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

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

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

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

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

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

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

6.12. Cancellation and Forfeiture of Award. Notwithstanding anything contained in this Agreement, if the Holder engages in any activity which constitutes Cause, breaches any of his or her obligations to the Company or any of its affiliates under a noncompetition, nonsolicitation, confidentiality, intellectual property or other restrictive covenant or engages in any activity which is contrary, inimical or harmful to the Company or any of its affiliates, including but not limited to violations of Company policy to the extent then applicable to the Holder, the Company may take such action as it shall deem appropriate to cause the Award to be cancelled as of the date on which the Holder first engaged in such activity or breached such obligation, and the Company thereafter may require the repayment of any amounts received by the Holder in connection with the vesting of the Award following the date that the Holder first engaged in such activity or breached such obligation. For purposes of this Award, "Cause" shall mean: (i) the commission of a felony or the commission of any other crime that is injurious to the Company, to a Company employee or to a client of the Company; (ii) willful misconduct, dishonesty, fraud, attempted fraud or other willful action or willful failure to act that is injurious to the Company, to a Company employee or to a client of the Company; (iii) any material breach of fiduciary duty owed to the Company or to a client of the Company; (iv) any material breach of the terms of any agreement with the Company (including without limitation any agreement regarding non-competition, non-solicitation of clients or employees, or confidentiality); (v) any material violation of a restriction on disclosure or use of privileged, proprietary or confidential information (including information belonging to the Company, to a client of the Company or to a third party to whom the Company owes a duty of confidentiality), but only if such violation is committed with actual notice of such restriction on disclosure; or (vi) any other material breach of the Company's Code of Business Conduct and Ethics or its securities trading policies, as amended from time to time. The determination by the Committee of the existence of Cause shall be conclusive and binding.

NAVIGANT CONSULTING, INC.
By: ____

Accepted this ____ day of __________, 20____

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Julie M. Howard, certify that:

1. I have reviewed this report on Form 10-Q of Navigant Consulting, Inc., the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JULIE M. HOWARD

JULIE M. HOWARD
Chief Executive Officer

July 27, 2012

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Thomas A. Nardi, certify that:

1. I have reviewed this report on Form 10-Q of Navigant Consulting, Inc., the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ THOMAS A. NARDI

THOMAS A. NARDI
Executive Vice President and
Chief Financial Officer

July 27, 2012

Exhibit 32.1

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

Each of the undersigned, Julie M. Howard, Chief Executive Officer of Navigant Consulting, Inc. (the "Company"), and Thomas A. Nardi, Executive Vice President and Chief Financial Officer of the Company, in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the six months ended June 30, 2012 (the "Report"), hereby certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JULIE M. HOWARD
Julie M. Howard
Chief Executive Officer

July 27, 2012

/s/ THOMAS A. NARDI
Thomas A. Nardi
Executive Vice President and
Chief Financial Officer

July 27, 2012