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**

As of and for the quarterly period ended September 30, 2001

OR

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

Commission File No. 0-28830

NAVIGANT CONSULTING, INC.

(Exact name of Registrant as specified in its charter)

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

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

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

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 ☐

As of November 5, 2001, 39.9 million shares of the Registrant's common stock, par value $.001 per share ("Common Stock"), were outstanding.

NAVIGANT CONSULTING, INC.

PERIOD ENDED SEPTEMBER 30, 2001

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ITEM 1. FINANCIAL STATEMENTS

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2001	December 31, 2000
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,381	$ 48,798
Accounts receivable, net	58,795	55,012
Prepaid expenses and other current assets	5,374	3,776
Income taxes receivable	2,532	476
Deferred income taxes	4,001	3,351
Total current assets	91,083	111,413
Property and equipment, net	20,769	19,328
Goodwill and intangible assets, net	33,944	27,523
Deferred income taxes	3,267	3,708
Other assets	1,465	1,510
Total assets	$ 150,528	$ 163,482
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 14,607	$ 17,468
Accrued compensation related costs	16,141	18,933
Other current liabilities	9,624	11,356
Total current liabilities	40,372	47,757
Other non-current liabilities	1,500	—
Total liabilities	41,872	47,757
Stockholders' equity:		
Preferred stock	—	—
Common stock	44	43
Additional paid-in capital	351,865	343,340
Deferred compensation—restricted stock	(5,194)	—
Treasury stock	(67,091)	(63,541)
Accumulated deficit	(170,852)	(163,903)
Accumulated other comprehensive loss	(116)	(214)
Total stockholders’ equity	108,656	115,725
Total liabilities and stockholders’ equity	$ 150,528	$ 163,482

See accompanying notes to the unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

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

	Three months ended September 30, 2001	Three months ended September 30, 2000
Revenues	$57,128	$ 61,259
Consulting services expense	37,903	38,760
VSRP cash compensation expense—consultants	2,704	1,559
Stock-based compensation—consultants (note 9)	(2,180)	—
Gross margin	18,701	20,940
General and administrative expenses	13,925	14,843
Depreciation expense	1,871	1,653
Amortization expense	1,476	1,222
VSRP cash compensation expense—other	403	117
Stock-based compensation—other (note 9)	(771)	102
Restructuring costs (note 5)	—	944
Litigation and settlement provisions (note 10)	—	500
Operating income from continuing operations	1,797	1,559
Other income (loss), net	171	(240)
Income from continuing operations before income taxes	1,968	1,319
Income tax expense	1,019	1,087
Income from continuing operations	949	232
Loss on dispositions of discontinued operations, net of income taxes (note 11)	—	(10,264)
Net income (loss)	$ 949	$(10,032)
Basic income (loss) per share:		
Income from continuing operations	$ 0.02	$ 0.01
Net income (loss)	$ 0.02	$ (0.24)
Shares used in computing basic income (loss) per share	38,466	41,348
Diluted income (loss) per share:		
Income from continuing operations	$ 0.02	$ 0.01
Net income (loss)	$ 0.02	$ (0.24)
Shares used in computing diluted loss per share	40,952	41,348
Other comprehensive income (loss):		
Foreign currency translation adjustment	$ 118	$ (107)
Comprehensive income (loss)	$ 1,067	$(10,139)

See accompanying notes to the unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

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

	Nine months ended September 30,	
	2001	**2000**
Revenues	$177,383	$ 185,566
Consulting services expense	114,406	120,252
VSRP cash compensation expense—consultants	11,296	1,559
Stock-based compensation—consultants (note 9)	2,095	—
Gross margin	49,586	63,755
General and administrative expenses	42,372	46,164
Depreciation expense	5,229	4,997
Amortization expense	4,218	3,482
VSRP cash compensation expense—other	1,103	117
Stock-based compensation—other (note 9)	333	423
Restructuring costs (note 5)	1,900	10,229
Litigation and settlement provisions (note 10)	5,700	16,500
Operating loss from continuing operations	(11,269)	(18,157)
Other income (loss), net	794	(2,128)
Loss from continuing operations before income taxes	(10,475)	(20,285)
Income tax benefit	(3,526)	(6,452)
Loss from continuing operations	(6,949)	(13,833)
Loss from discontinued operations, net of income taxes	—	(10,193)
Loss on dispositions of discontinued operations, net of income taxes (note 11)	—	(156,181)
Net loss	$ (6,949)	$(180,207)
Basic loss per share:		
Loss from continuing operations	$ (0.18)	$ (0.34)
Loss from discontinued operations	$ 0.00	$ (0.25)
Net loss	$ (0.18)	$ (4.37)
Shares used in computing basic loss per share	38,375	41,244
Diluted loss per share:		
Loss from continuing operations	$ (0.18)	$ (0.34)
Loss from discontinued operations	$ 0.00	$ (0.25)
Net loss	$ (0.18)	$ (4.37)
Shares used in computing diluted loss per share	38,375	41,244
Other comprehensive loss:		
Foreign currency translation adjustment	$ 98	$ (230)
Comprehensive loss	$ (6,851)	$(180,437)

See accompanying notes to the unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine months ended September 30, 2001	Nine months ended September 30, 2000
Cash flows from operating activities:		
Net loss	$ (6,949)	$(180,207)
Adjustments to reconcile net loss to net cash used in operating activities, net of acquisitions and dispositions:		
Loss from discontinued operations	—	10,193
Loss on dispositions on discontinued operations	—	156,181
Depreciation expense	5,229	4,997
Amortization expense	4,218	3,482
Impairment of former officers' notes, net	—	1,737
Stock-based compensation	2,429	424
Deferred income taxes	(225)	(3,868)
Other		(352)
Changes in assets and liabilities:		
Accounts receivable	(3,089)	(211)
Prepaid expenses and other current assets	(1,756)	(1,263)
Accounts payable and accrued liabilities	(3,053)	(5,965)
Accrued compensation related costs	(2,808)	(10,043)
Income taxes	(2,146)	4,171
Other current liabilities	(2,680)	(10,914)
Net cash used in operating activities of:		
Continuing operations	(10,830)	(31,638)
Discontinued operations	—	(15,225)
Net cash used in operating activities	(10,830)	(46,863)
Cash flows from investing activities:		
Purchases of property and equipment	(5,560)	(6,455)
Acquisition of businesses	(7,335)	—
Divestitures of businesses, net of cash	—	46,527
Payment of contingent acquistion liabilities	(1,980)	—
Other, net	(254)	(822)
Net cash provided (used) in investing activities of:		
Continuing operations	(15,129)	39,250
Discontinued operations	—	(1,217)
Net cash provided (used) in investing activities	(15,129)	38,033
Cash flows from financing activities:		
Issuance of common stock	902	2,333
Stock repurchases	(3,360)	—
Proceeds from short-term debt	—	(1,050)
Net cash provided (used) in financing activities	(2,458)	1,283
Net decrease in cash and cash equivalents	(28,417)	(7,547)
Cash and cash equivalents at beginning of the period	48,798	42,345
Cash and cash equivalents at end of the period	$ 20,381	$ 34,798

See accompanying notes to the unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Navigant Consulting, Inc. (the "Company") have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q, and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. The information furnished herein includes all adjustments, consisting of normal recurring adjustments except where indicated, which are, in the opinion of management, necessary for a fair presentation of results of operations for these interim periods.

The results of operations for the three and nine month periods ended September 30, 2001 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2001.

These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2000 included in the Annual Report on Form 10-K, as filed by the Company with the Securities and Exchange Commission on March 12, 2001.

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

Note 2. Acquisitions

On March 1, 2001, the Company acquired the assets of Barba-Arkhon International, Inc. ("Barba-Arkhon") for $8.3 million, which consisted of $5.3 million cash at closing and $3.0 million notes payable due in two equal annual installments. Founded in 1983, Barba-Arkhon provides project program management and claims analysis services for construction, governmental and institutional projects. Engagements include delay and disruption claims analysis for dispute resolution, damage valuation, litigation support and technical analysis for projects involving transportation infrastructure, environmental and industrial facilities, power plants and commercial buildings. Prior to acquisition, Barba-Arkhon was a direct competitor to the Company in the construction industry. Barba-Arkhon was acquired to strengthen marketability and gain market share in the construction industry. The Barba-Arkhon acquisition has been accounted for by the purchase method of accounting for business combinations and, accordingly, the results of operations have been included in the consolidated financial statements from the date of acquisition.

On July 2, 2001, the Company acquired the common stock of Chambers Associates, Inc. ("Chambers") for $2.6 million, which consisted of $2.0 million cash at closing and $0.6 million cash due within 18 months of closing. The purchase agreement for Chambers also provides for additional payments up to $1.5 million through December 31, 2003 contingent on certain revenue targets. Founded in 1981, Chambers provides public policy analysis, strategic planning and litigation support services to a wide range of clients. Engagements include economic and financial research to analyze the impact of current or proposed legislation or regulation; advocacy support for certain health, tax, energy and environmental legislative issues; and analysis and estimation of claim values and expert testimony in product liability, medical malpractice, bankruptcy and other litigation cases. Chambers was acquired to augment the services of Financial & Claims Consulting with its asbestos claims and mass tort litigation expertise. In addition, Chambers' energy and environmental legislative expertise will provide cross selling services to the clients of Energy & Water Consulting. The Chambers acquisition has been accounted for by the purchase method of accounting for business combinations and, accordingly, the results of operations have been included in the consolidated financial statements from the date of acquisition.

Note 3. Segment Information

The Company is comprised of two business segments: Financial & Claims Consulting and Energy & Water Consulting.

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

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

The Company currently evaluates segment performance and allocates resources based upon revenues and operating results. The basis of measurement of segment operating results is consistent among all of the periods. All intercompany transactions between segments have been eliminated. Information on the Company's continuing operations for the three and nine months ended September 30, 2001 and 2000 have been summarized (in thousands) as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
Revenues:				
Financial & Claims Consulting	$38,511	$38,983	$109,635	$115,925
Energy & Water Consulting	18,617	22,276	67,748	69,641
Total segment revenues	$57,128	$61,259	$177,383	$185,566
Operating profit:				
Financial & Claims Consulting	$ 4,654	$ 6,109	$ 13,360	$ 19,432
Energy & Water Consulting	1,849	4,159	11,234	9,658
Total segment operating profit	$ 6,503	$10,268	$ 24,594	$ 29,090
Operating Profit and Statement of Operations reconciliation:				
Costs not allocated to segments:				
Corporate general and administrative expenses previously allocated to discontinued operations	$ —	$ —	$ —	$ 2,537
Other non-recurring corporate expenses	—	1,050	380	2,717
Acquisition-related compensation	1,203	1,562	3,609	4,686
VSRP cash compensation expense	3,107	1,676	12,399	1,676
Depreciation expense	1,871	1,653	5,229	4,997
Amortization expense	1,476	1,222	4,218	3,482
Restructuring costs	—	944	1,900	10,229
Litigation and settlement provisions	—	500	5,700	16,500
Stock-based compensation	(2,951)	102	2,428	423
Other expense (income), net	(171)	240	(794)	2,128
Subtotal	4,535	8,949	35,069	49,375
Income (loss) from continuing operations before income taxes	$ 1,968	$ 1,319	$ (10,475)	$ (20,285)

Certain general and administrative expenses, which relate to general corporate costs, were allocated to operating segments on the basis of consulting fee revenues. Certain general and administrative expenses, which primarily relate to operating segments, have been excluded from the segment operating profit amounts, and included in the costs not allocated to segments, for comparative purposes.

Accounting for the results of discontinued operations cannot include allocations of general and administrative costs that are not identifiable to discontinued operations. Accordingly, those costs are unallocated reconciling amounts.

For the nine months ended September 30, 2001, the Company incurred $0.4 million of personnel-related costs, which were not allocated to any operating segments. For the three and nine months ended September 30, 2000, the Company incurred $1.1 million and $2.7 million, respectively, in non-recurring legal and infrastructure-related computer costs which were not allocated to any operating segments.

Note 4. Basic and Diluted Shares

The components of basic and diluted shares (shown in thousands) were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
Basic weighted average shares outstanding	38,466	41,348	38,375	41,244
Employee stock options and restricted shares	2,486	0	0	0
Diluted weighted average shares outstanding	40,952	41,348	38,375	41,244

For the nine months ended September 30, 2001, the weighted average impact of employee stock options and restricted shares was 3.0 million. For the three months and nine months ended September 30, 2000, the weighted average effect of employee stock options and restricted shares was less than 0.1 million. The Company incurred a net loss in the respective periods; therefore, those options and restricted shares were excluded from the calculation of diluted per share amounts. On September 1, 2001, 0.6 million restricted shares were vested and accordingly included in basic per share amounts.

As of September 30, 2001, the Company had 2.7 million stock options that were exercisable. However, substantially all of the 2.7 million options had exercise prices above the stock price at September 30, 2001.

Note 5. Restructuring Costs

In May 2000, the Company implemented a plan to restructure its operations. The restructuring of the Company's operations included streamlining its administrative staff, facility closings and space reduction. Most of the plan has been completed. However, due to current real estate market conditions in certain areas and certain restrictions in its lease contracts, the Company has not been able to sublease its remaining lease obligations of subjected facility closings. Based on the changes in market conditions, the Company has reevaluated the length of time and additional costs it would incur to secure tenants for these lease obligations. During the nine months ended September 30, 2001, the Company recorded additional charges of $1.9 million related to these facilities.

The activity affecting the accrual for restructuring costs, which is included in accrued liabilities, for the nine months ended September 30, 2001 is as follows (shown in thousands):

	Facilities costs	Workforce reductions	Total
Balance at December 31, 2000	$3,496	$1,045	$4,541
Charges to operations	1,900	0	1,900
Utilized	(1,867)	(887)	(2,754)
Changes in estimates	158	(158)	0
Balance at September 30, 2001	$3,687	$ 0	$3,687

The costs the Company will ultimately incur may change as the balance of the Company's restructuring plan is executed.

Note 6. Supplemental Consolidated Balance Sheet Information

Accounts Receivable:

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

	September 30, 2001	December 31, 2000
Billed amounts	$ 44,591	$44,037
Engagements in process	25,553	20,496
Allowance for uncollectible accounts	(11,349)	(9,521)
	$ 58,795	$55,012

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

Goodwill and Intangible Assets:

The Barba-Arkhon acquisition, which occurred in March 2001, included $8.4 million of goodwill, the excess of the cost over the fair value of net assets acquired, which has been recorded at the date of acquisition and is being amortized over 7 years. The Chambers acquisition, which occurred in July 2001, included $2.1 million of goodwill. The goodwill related to the Chambers acquisition is not subject to amortization but subject to periodic impairment evaluation performed at least once on a annual basis.

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

	September 30, 2001	December 31, 2000
Goodwill	$33,471	$22,831
Less—accumulated amortization	(7,777)	(4,767)
Goodwill, net	25,694	18,064
Intangible assets:		
Customer lists	4,470	4,470
Employee workforce	2,355	2,355
Non-compete agreements	4,575	4,575
	11,400	11,400
Less: accumulated amortization	(3,150)	(1,941)
Intangible assets, net	8,250	9,459
Goodwill and intangible assets, net	$33,944	$27,523

The Company periodically examines the carrying value of its goodwill and other intangible assets to determine whether there is any impairment. If indicators of impairment were present, and future cash flows were not expected to be sufficient to recover the assets' carrying amounts, an impairment loss would be charged to expense in the period identified. As of September 30, 2001, no event has been identified that would indicate an impairment in the carrying value of the goodwill and other intangible assets.

Note 7. Supplemental Consolidated Cash Flow Information

Total interest paid during the nine months ended September 30, 2001 and 2000 was $0.2 million and $0.6 million, respectively. Total income taxes paid during nine months ended September 30, 2001 and 2000 were $2.5 million and $5.6 million, respectively. Total income tax refunds during the nine months ended September 30, 2001 and 2000 were $3.8 million and $6.5 million, respectively.

The Company had non-cash financing and investing activities during the nine months ended September 30, 2001. The Company issued $3.0 million in notes payable in the Barba-Arkhon acquisition and has a $0.6 million obligation related the Chambers purchase agreement. (See Note 2, Acquisitions). The Company incurred $0.7 million of capital lease obligations for the purchase of new computer equipment. For the nine months ended September 30, 2001, the Company recorded $2.1 million for deferred compensation related to restricted stock.

During the nine months ended September 30, 2001, the Company received shares of the Company's common stock, with a then market price of $0.2 million, in lieu of cash as payment for certain employee advances.

Note 8. Treasury Stock Repurchases

In October 2000, the Board of Directors authorized the repurchase of up to 5.0 million shares of the Company's common stock. During the nine months ended September 30, 2001, the Company repurchased 0.7 million shares for $3.6 million. As of September 30, 2001, the Company has repurchased a total of 1.8 million shares for $7.2 million since October 2000.

Note 9. Stock-based Compensation

Stock-based compensation relates to Value Sharing Retention Program ("VSRP") stock options, exchanged stock options, restricted shares and stock appreciation rights awarded to the Company's employees. The stock-based compensation expense is recognized for the increase in the Company's stock price above grant or exercise prices of the associated awards and for the fair market value of restricted share awards at grant date. The Company's stock price was $3.71 as of September 30, 2001 compared to $8.20 as of June 30, 2001.

As of September 30, 2001, the Company had 7.7 million options shares outstanding. Of the outstanding options, 2.1 million stock options ("variable accounting options") are subject to stock-based compensation expense. For the nine months ended September 30, 2001, there were no stock-based compensation expense related to the 2.1 million options outstanding as of September 30, 2001 because the stock price was below the exercise prices of the these options. During the nine months ended September 30, 2001, 0.1 million variable accounting options were exercised at a date when the stock price was higher than the exercise prices. Accordingly, the Company recorded stock-based compensation expense related to the exercise of these options.

In January 2001, the Company issued 1.9 million restricted shares with a grant price of $3.875, which was the closing market price on the grant date. These restricted shares vest 33% per year from September 1, 2001 to September 1, 2003. The Company records stock-based compensation expense for these restricted shares on a straight-line basis over the vesting term starting in January 2001. As of September 30, 2001, the Company had 1.2 million restricted shares outstanding, hence 0.6 million shares were vested on September 1, 2001 and 0.1 million shares have been forfeited since January 2001.

In the year 2000, the Company awarded 0.2 million stock appreciation rights at $5.00 per right. For the nine months ended September 30, 2001, there was no stock-based compensation expense related to the stock appreciation rights because the stock price as of September 30, 2001 was below the stated price of the rights.

For the three months ended September 30, 2001, the Company eliminated all previously recorded stock-based compensation expense related to both variable accounting options and stock appreciation rights then outstanding. The stock price of $3.71 at September 30, 2001 was below the exercise prices of the options outstanding and the stated price of the rights outstanding.

Note 10. Litigation and Settlement Provisions

The Company has included a net provision of $5.7 million for the nine months ended September 30, 2001. The Company reached a settlement agreement with certain plaintiffs who opted out of the August 2000 settlement of the consolidated securities law class action (the "Consolidated Class Actions"), which was previously disclosed. The terms of the agreement require payments totaling $5.0 million plus accrued interest. With respect to the Consolidated Class Actions matter, the Company has recovered $4.0 million, from one of its insurers. The $4.0 million has been deposited in escrow and will be divided evenly between the Consolidated Class Actions plaintiffs and the Company. Accordingly, the Company recorded a recovery of $2.0 million. In addition, the Company has recorded a provision for several other litigation matters and legal expenses related to the previously mentioned settlements. For the nine months ended September 30, 2000, the Company recorded $16.5 million in litigation settlement provisions related the Consolidated Class Actions litigation. See Part II Item 1, Legal Proceedings for further information.

Note 11. Discontinued Operations

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

Economics & Policy

The Company completed the sale of LECG to a team of senior LECG professionals in a management buy-out for $45 million, principally in cash and notes receivable, on September 29, 2000.

Strategic Consulting

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

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

In the first quarter 2001, the Company sold the operations of Brooks International AB, Brooks International SARL and SPRL, and Brooks International Consulting OY for nominal cash value and future contingent deferred payments. No value has been assigned to the future contingent deferred payments.

IT Solutions

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

Certain information with respect to discontinued operations is summarized as follows:

	Three months ended September 30, 2000	Nine months ended September 30, 2000
Revenues:		
Economics & Policy	$17,626	$ 60,029
Strategic Consulting	7,895	34,029
IT Solutions	920	16,485
Total revenues	26,441	110,543
Loss from discontinued operations	(2,420)	(12,679)
Income tax expense (benefit)	(968)	(983)
Net loss	$ (1,452)	$ (11,696)

Results of discontinued operations for the three and nine months ended September 30, 2000 only include amortization of associated intangible assets through the measurement date of April 30, 2000. The above results include $1.5 million of net loss (excludes amortization expenses) for the period May 1, 2000 through September 30, 2000. These results are included in the calculation of the loss on disposition of discontinued operations. Additional after tax costs of $10.3 million were recorded in the third quarter of 2000 primarily due to revised estimates of expected discontinued business proceeds.

The loss on dispositions for the nine months ended September 30, 2000 includes the following (in thousands):

Book value of net assets in excess of proceeds, including intangible assets of $162,346	$136,742
Net pre-tax loss on discontinued operations for the period May 1, 2000 through the expected disposition dates	2,470
Expenses associated with asset disposals (including $7,019 in severance-related expenses)	9,511
Pre-tax loss on dispositions	148,723
Income tax provision	7,458
Loss on dispositions	$156,181

ITEM 2.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical in nature, are intended to be, and are hereby identified as, "forward looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended by Public Law 104-67. Forward-looking statements may be identified by words including "anticipate," "believe," "intends," "estimates," "expect" and similar expressions. The Company cautions readers that forward-looking statements, including without limitation, those relating to the Company's future business prospects, revenues, working capital, liquidity, and income, are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to important risks and factors herein identified or identified from time to time in the Company's reports filed with the Securities and Exchange Commission.

Results of Continuing Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
Revenues	100.0%	100.0%	100.0%	100.0%
Consulting services expense	66.4	63.3	64.5	64.8
VSRP cash compensation expense—consultants	4.7	2.5	6.4	0.8
Stock-based compensation—consultants	(3.9)	0.0	1.1	0.0
Gross margin	32.8	34.2	28.0	34.4
General and administrative expenses	24.4	24.2	23.9	24.9
Depreciation expense	3.3	2.7	3.0	2.7
Amortization expense	2.6	2.0	2.4	1.9
VSRP cash compensation expense—other	0.7	0.2	0.6	0.1
Stock-based compensation—other	(1.4)	0.2	0.2	0.2
Restructuring costs	0.0	1.5	1.1	5.5
Litigation and settlement provision	0.0	0.8	3.2	8.9
Operating income (loss)from continuing operations	3.2	2.6	(6.4)	(9.8)
Other income (loss), net	0.3	(0.4)	0.5	(1.1)
Income (loss) from continuing operations before income taxes	3.5	2.2	(5.9)	(10.9)
Income tax expense (benefit)	1.8	1.8	(1.9)	(3.4)
Income (loss)from continuing operations	1.7	0.4	(4.0)	(7.5)
Loss from discontinued operations, net of income taxes	(0.0)	0.0	(0.0)	(5.5)
Loss from disposition on discontinued operations	(0.0)	(16.8)	(0.0)	(84.2)
Net income (loss)	1.7%	(16.4)%	(4.0)%	(97.2)%

2001 compared to 2000—For the three month period ended September 30.

Revenues. Revenues are primarily a function of billable hours and consultant headcount. For the three months ended September 30, revenues decreased $4.2 million, or 6.9%, to $57.1 million in 2001, from

$61.3 million in 2000. The Company's average headcount and consultant workload were consistent from period to period and did not factor into the decrease in revenues. Also, the Company's average billing rate increased when comparing the three months ended September 30, 2001 to the same period in 2000.

The decrease in revenues was primarily attributed to lower commission-based revenues, lower direct project-related expense revenues and higher write-downs of unbilled receivables. The direct project-related expense revenues are costs the Company incurs and invoices directly to clients. These direct project-related expenses are used to supplement certain projects and vary by the nature of engagements and from period to period. For the three months ended September 30, 2001, direct project-related expenses were lower by $0.9 million compared to the same period in 2000. Commission revenue was lower by $0.7 million. During 2000, the Company managed and closed a tolling and electricity swap agreement of another client's electric generating plants, which closed in the fourth quarter 2000. This engagement yielded $6.7 million in commission revenue for the Company, of which $1.0 million was recorded in the third quarter 2000. The Company had a similar transaction during the three months ended September 30, 2001, in which $0.3 million was recorded in revenues. For the three months ended September 30, 2001, the Company had higher write-downs of unbilled receivables when compared to three months ended September 30, 2000. These write-downs attributed to $3.3 million of the $4.2 million decrease. The write-downs were related to unbilled revenues recorded that Company determined not realizable. Excluding the higher write-downs, lower direct project-related expenses and lower commissions, revenues would have increased by $1.7 million because of the higher billing rates.

Additionally, the Company closed a certain number of its offices for a period of time directly following the tragic events on September 11, 2001 and incurred delays in the re-start of projects for a period of time directly following September 11, 2001. This caused a reduction in revenues during the third quarter of 2001.

Consulting Services Expense. Consulting services expense includes consultant wages and benefits, direct project-related expenses and client development expenses. Consulting services expense decreased $1.1 million, or 2.9%, to $37.9 million in 2001, from $38.8 million in 2000. The costs of direct project-related expenses were lower this third quarter 2001 when compared to the third quarter 2000.

VSRP Cash Compensation Expense—Consultants. VSRP cash compensation expense ("Value Sharing Retention Program") is the cash compensation component of the Value Sharing Retention Program. For the three months ended September 30, 2001, VSRP cash compensation expense was $2.7 million, or 4.7% of revenues, compared to $1.6 million, or 2.6% of revenues, for the three months ended September 30, 2000. The increase in VSRP compensation expense is related to the recorded VSRP compensation on a straight-line basis. The cash component of the retention program ended on the September 1, 2001 as the Company paid the final installment.

Stock-based Compensation—Consultants. Stock-based compensation—consultants includes non-cash compensation related to restricted shares, exchanged stock options and VSRP stock options awarded to the Company’s consultants. The Company records stock-based compensation expense for restricted shares on a straight-line basis over the vesting term starting from January 2001. The Company records compensation for exchanged and VSRP stock options when the increase in the Company’s stock price is above the grant or exercise prices of the associated stock option awards. The Company’s stock price was $3.71 at September 30, 2001 and was below the exercise prices of both the VSRP and exchanged stock options then outstanding. Accordingly, the Company reversed all of the previously recognized compensation expense related to these outstanding options. For the three months ended September 30, 2001, the Company recorded a credit of $2.2 million for stock-based compensation.

Gross Margin. Gross margin includes revenues reduced by consulting services, VSRP cash compensation and stock-based compensation expenses. Gross margin decreased 1.5% as of percentage of revenues, or $2.2 million, from 34.2% for the three months ended September 30, 2000, to 32.7% for the three months ended September 30, 2001. The decrease in the gross margin percentage is primarily attributed to lower revenues. The lower direct project-related expenses in revenues and cost of services expense had an insignificant impact on gross margin.

General and Administrative Expenses. General and administrative expenses include corporate management and administrative wages and benefits, facility-related costs, bad debt provisions, corporate professional fees, and all other corporate and business support costs. General and administrative expenses decreased $0.9 million, or 6.1%, to $13.9 million for the three months ended September 30, 2001, from $14.8 million for the same three-month period in 2000. The decrease is primarily related to bad debt provisions on certain receivables.

Amortization Expense. For the three months ended September 30, 2001, amortization expense increased $0.2 million to $1.9 million from $1.7 million for the third quarter of 2000. The increase is primarily due to the amortization of goodwill of Barba-Arkhon, which was acquired on March 1, 2001.

Stock-based Compensation—Other. Stock-based compensation—other includes non-cash compensation related to stock appreciation rights, exchanged stock options, VSRP stock options and restricted shares awarded to corporate management and administrative support staff. The Company records stock-based compensation expense for restricted shares on a straight-line basis over the vesting term starting from January 2001. The Company records compensation for stock appreciation rights, exchange stock options and VSRP stock options when the increase in the Company's stock price is above the grant or exercise prices of the associated stock awards. The Company's stock price was $3.71 at September 30, 2001 and was below the exercise prices of the then outstanding stock appreciation rights, VSRP stock options and exchanged stock options. Accordingly, the Company reversed all of the previously recognized compensation expense related to these outstanding stock awards. For the three months ended September 30, 2001, the Company recorded a credit of $0.8 million for stock-based compensation.

Other Income. Other income includes the net of interest income, interest expense and other non-operating income and expenses. Other income improved $0.4 million to $0.2 million income for the three months ended September 30, 2001 from a $0.2 million expense for the three months ended September 30, 2000. The Company had a higher average cash balance, net of line of credit borrowings, for the third quarter 2001 compared to third quarter 2000. In addition, the Company recognized income related to certain earnout provisions on the disposed units of 2000.

Net Income (Loss). Net income for the three months ended September 30, 2001 was $0.9 million compared to a net loss of $10.0 million for the three months ended September 30, 2000. The net loss for the three months ended September 30, 2000 includes a loss of $10.3 million on the dispositions of discontinued operations. These operations were sold in the third and fourth quarter 2000 and therefore were not included in the operating results for the three months ended September 30, 2001. When the loss on dispositions of discontinued operations are excluded for continuing operations analysis, the Company had a net income of $0.2 million for the third quarter 2000 compared to a net income of $0.9 million for third quarter 2001.

2001 compared to 2000—For the nine month period ended September 30.

Revenues. For the nine months ended September 30, revenues decreased $8.2 million, or 4.4%, to $177.4 million in 2001, from $185.6 million in 2000. The Company's average headcount and consultant workload were consistent from period to period and did not factor into the decrease in revenues. Also, the Company's average billing rate increased when comparing the nine months ended September 30, 2001 to the same period in 2000.

The decrease in revenues was primarily attributed to lower direct project-related expense revenues totaling $7.4 million. When comparing the nine months ended September 30, 2001 to the same period in 2000, the Company generated $5.3 million more commission revenue in 2001. In February 2001, the Company managed a successful auction of a client's electric generating plants, which yielded commission revenue for the Company of $9.0 million. In addition, the Company recorded $0.6 million in commission revenue for other transactions during 2001. Similar transactions occurred in the nine months ended September 30, 2000, which yielded commission revenue of $4.3 million. This additional $5.3 million in commission revenue was offset by write-downs of unbilled receivables. These write-downs were related to unbilled revenues recorded that the Company determined not realizable.

Consulting Services Expense. Consulting services expense decreased $5.9 million, or 4.9%, to $114.4 million in 2001 from $120.3 million in 2000. This decrease is primarily attributed to the cost of direct project-related expenses.

VSRP Cash Compensation Expense—Consultants. VSRP cash compensation expense is the cash compensation component of the Value Sharing Retention Program. For the nine months ended September 30, 2001, VSRP cash compensation expense was $11.3 million, or 6.4% of revenues, compared to $1.6 million for the comparable nine-month period in 2000. The increase in VSRP expense is related to the number of months the cash compensation expense was prorated over during each nine-month period. The VSRP compensation expense was recorded on a straight-line basis. The cash component of the retention program ended on the September 1, 2001 as the Company paid the final installment.

Stock-based Compensation—Consultants. Stock-based compensation—consultants includes non-cash compensation related to restricted shares, exchanged stock options and VSRP stock options awarded to the Company's consultants. The Company records stock-based compensation expense for restricted shares on a straight-line basis over the vesting term starting from January 2001. The Company records compensation for exchange stock options and VSRP stock options when the increase in the Company's stock price is above the grant or exercise prices of the associated stock awards. The Company's stock price was $3.71 at September 30, 2001 and was below the grant or exercise prices of the options then outstanding. Accordingly, there is no compensation expense related to these outstanding options. For the nine months ended September 30, 2001, the Company recorded stock-based compensation expense of $2.1 million, which was primarily related to restricted shares.

Gross Margin. Gross margin includes revenues reduced by consulting services, VSRP cash compensation and stock-based compensation expenses. Gross margin decreased 6.4% as of percentage of revenues, or $14.2 million, from 34.4% for the nine months ended September 30, 2000, to 28.0% for the nine months ended September 30, 2001. The decrease in the gross margin percentage is primarily attributed to the implementation of the Value Sharing Retention Program and the resulting cash and stock-based compensation expenses. The lower direct project-related expenses in revenues and cost of services expense had an insignificant impact on gross margin.

General and Administrative Expenses. General and administrative expenses decreased $3.8 million, or 8.3%, to $42.4 million for the nine months ended September 30, 2001, from $46.2 million for the same nine-month period in 2000. The decrease is attributed to a 20% administrative headcount reduction as result of the Company restructuring its core operations. In May 2000, as a part of the restructuring plan, the Company streamlined its administrative support staff of its core operations. As a result, administrative wages decreased $2.4 million when comparing the nine months period ended June 30 of 2001 to 2000. Corporate professional fees decreased $2.1 million due to both the reductions of legal fees from the settlement of certain class action lawsuits and other professional services, such as accounting and human resources. In addition, certain office-related expenses decreased $0.7 million. The decreases of administrative wages, corporate professional fees, and office-related expenses were partially offset by an increase in bad debt expense of $1.4 million.

Amortization Expense. For the nine months ended September 30, 2001, amortization expense increased $0.2 million to $5.2 million from $5.0 million for the nine months ended September 30, 2000. The increase is primarily due to the amortization of goodwill of Barba-Arkhon acquired on March 1, 2001.

Stock-based Compensation—Other. Stock-based compensation—other includes non-cash compensation related to stock appreciation rights, exchanged stock options, VSRP stock options and restricted shares awarded to corporate management and administrative support staff. The Company records stock-based compensation expense for restricted shares on a straight-line basis over the vesting term starting from January 2001. The Company records compensation for stock appreciation rights, exchange stock options and VSRP stock options when the increase in the Company's stock price is above the grant or exercise prices of the associated stock awards. The Company's stock price was $3.71 at September 30, 2001 and was below the grant or exercise prices of the then outstanding awards. Accordingly, there is no compensation expense related to these outstanding stock awards. For the nine months ended September 30, 2001, the Company recorded stock-based compensation expense of $0.3 million which was primarily related to restricted shares.

Other Income (Loss), Net. Other income improved $2.9 million to an income of $0.8 million income for the nine months ended September 30, 2001 from a $2.1 million expense for the nine months ended September 30, 2000. A $1.7 million charge to reflect the impairment of former officers' notes receivable was recorded in the second quarter 2000. Excluding this charge, other income improved by $1.2 million and is attributed to more interest income and less interest expense. The Company had a higher average cash balance, net of line of credit borrowings, for the nine month ended September 30, 2001 compared to the same period in 2000.

Net Loss. Net loss for the nine months ended September 30, 2001 was $6.9 million compared to a net loss of $180.2 million for the nine months ended September 30, 2000. Included in the net loss for the nine month ended September 30, 2000 was a loss of $10.2 million from discontinued operations and a loss of $156.2 million on the dispositions of discontinued operations. These operations were sold in the third and fourth quarters of 2000 and therefore were not included in the operating results for the nine months ended September 30, 2001. When the results from discontinued operations are excluded for continuing operations analysis, the Company had a $13.8 million net loss for the nine months ended September 30, 2000 compared to a $6.9 million net loss for the same period in 2001. The lower net loss is attributed to lower "non-recurring" charges such as restructuring costs and litigation settlement costs. The reduction in these "non-recurring" charges has been partially offset by incremental expenses related to the implementation of VSRP retention program.

Liquidity and Capital Resources

Summary

The Company had approximately $20.4 million in cash and cash equivalents at September 30, 2001 compared to $48.8 million at December 31, 2000. The Company's cash equivalents were primarily limited to fully pledged commercial paper or securities (rated A or better), with maturity dates of 90 days or less.

Working capital, the excess of current assets over current liabilities, was $50.7 million compared to $63.7 million at December 31, 2000. The decrease in working capital is primarily due to common stock repurchases, the purchases of Barba-Arkhon and Chambers, and the payment of a litigation settlement.

Cash Flow

For the nine months ended September 30, 2001, net cash used in operating activities was $10.8 million. The increase in unbilled invoices on certain engagements reduced the Company's cash inflow from accounts receivable by $3.1 million. These unbilled invoices are generally scheduled for billing and collection in the fourth quarter. During the nine months ended September 30, 2001, the Company paid certain bonuses totaling $2.0 million, which had been accrued at December 31, 2000. The bonuses include, among others, payments under the Value Sharing Retention Program. As part of the settlement of the Chandler litigation, the Company paid $3.0 million in July 2001. In addition, as part of certain disposition agreements, the Company paid $2.2 million during the nine months ended September 30, 2001 for client receivables collected, prior to December 31, 2000, on behalf of certain disposed units.

Net cash used in investing activities was $15.1 million, primarily due to acquisition-related transactions. During the nine months ended September 30, 2001, the Company acquired businesses which include a

$5.3 million and $2.0 million investment in the acquisitions of Barba-Arkhon and Chambers, respectively (see Note 2 to the Unaudited Consolidated Financial Statements). As part of a 1999 acquisition agreement, the Company paid $2.0 million that had been contingent on certain revenue and gross margin targets. In addition, the Company used $5.6 million for capital spending on property and equipment to support personnel.

Net cash used in financing activities was $2.5 million. During the nine months ended September 30, 2001, the Company used $3.4 million to purchase treasury shares. Also, the Company received cash of $0.9 million from transactions related to stock options exercised and stock purchased by employees.

Debt, Commitments and Capital

The Company maintains a $35.0 million unsecured revolving line of credit arrangement with LaSalle Bank. The line of credit bears interest at prime or LIBOR plus 1.0%. Under the agreement, the Company may borrow a maximum amount of up to 85% of eligible accounts receivable. The agreement contains certain covenants, the most restrictive of which require the Company to maintain a minimum level of earnings before interest, taxes, depreciation and amortization. The Company was in compliance with the terms of the agreement as of September 30, 2001 and December 31, 2000. The Company did not have a balance outstanding under the line of credit at September 30, 2001 and December 31, 2000. In February 2001, the Company amended the line of credit agreement with no substantive changes in the terms and conditions, except that the amended agreement expires on May 31, 2003.

The Company has a $3.0 million notes payable under the Barba-Arkhon purchase agreement. The notes bear simple interest at a 6% annual percentage rate and the interest is payable on a quarterly basis.

As of September 30, 2001, the Company had no significant commitments for capital expenditures, except for those related to rental expense under operating leases. During the nine months ended September 30, 2001, the Company paid the last three of four installments under the value sharing retention program totaling $13.9 million and as of September 30, 2001, the Company does not having any remaining cash commitments under this retention program. As of September 30, 2001, the Company had obligations of $9.1 million related to the Barrington purchase agreement, which was paid on October 31, 2001. In addition, as part of the settlement of the Chander litigation, the Company has a $2.0 million obligation due July 2002 (see Part II, Item 1. Legal Proceeding).

The Company believes that the current cash and cash equivalents, the future cash flows from operations and the $35.0 million line of credit facility will provide adequate cash to fund anticipated short-term and long-term cash needs from normal operations. In the event the Company were to make significant cash expenditures in the future for major acquisitions or other non-operating activities, the Company may seek additional debt or equity financing, as appropriate. The Company had no plans or intentions for such expenditures as of September 30, 2001.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standard Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses financial accounting and reporting for business combinations. SFAS No. 141 requires that the purchase method of accounting for business combinations be used for all business combinations subsequent to June 30, 2001, thereby eliminating the use of pool-of-interests method of accounting for business combinations. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS No. 142 requires goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. Intangible assets with definite useful lives will continue to be amortized over their respective estimated useful lives.

The Company is required to comply with SFAS No. 141 for all business combinations completed beginning July 1, 2001. The Company is required to comply with SFAS No. 142 in the third quarter of year 2001 for new business combinations and in the first quarter of year 2002 for previously acquired intangibles. The Company is currently evaluating the impact SFAS No. 141 and 142 will have on its results of operations and financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company's primary exposure to market risks relates to changes in interest rates associated with its investment portfolio, classified as cash equivalents, and its borrowings under the line of credit. The Company's general investment policy is to limit the risk of principal loss by limiting market and credit risks. As of September 30, 2001, the Company's investments were primarily limited to fully collateralized, A rated securities with maturity dates of 90 days or less. If interest rates average 25 basis points less in fiscal year 2001 than they did in 2000, the Company's interest income would be decreased by $0.1 million on an annualized basis. This amount is determined by considering the impact of this hypothetical interest rate on the Company's investment portfolio at September 30, 2001. The Company does not expect any loss with respect to its investment portfolio. The Company's market risk associated with its line of credit relates to changes in interest rates. Borrowings under the line of credit bear interest, at the Company's option, based on either the prime rate or London Interbank Offered Rate (LIBOR) plus 1.0%. Other than the Barba-Arkhon notes payable, the Company does not currently have any short-term debt, long-term debt, interest rate derivatives, forward exchange agreements, firmly committed foreign currency sales transactions, or derivative commodity instruments.

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

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As previously disclosed in August 2000, the Company agreed to settle for $23.0 million the consolidated shareholder class actions (the “Consolidated Class Actions”), subject to court approval and certain other conditions. In March 2001, the settlement was approved by the federal district court. Distribution of the settlement funds to the class claimants awaits resolution of appeals. Also as previously disclosed, in June 2001, the Company agreed to settle certain previously disclosed litigation against one of its insurers, Federal Insurance Company (“Federal”), relating to the Consolidated Class Actions. Pursuant to this settlement, Federal has paid into escrow $4.0 million to provide additional funding for settlement of the Consolidated Class Actions. The $4.0 million payment will be divided evenly between the Company and the class, net of the Company’s costs. Distribution of all settlement funds to the class awaits resolution of appeals.

Finally, as previously disclosed, in July 2001, the Company agreed to settle certain previously disclosed litigation (the “Chandler” litigation) that had been brought against the Company and Mr. Maher, its former Chief Executive Officer. The plaintiffs are former principal shareholders and former officers of GeoData Solutions, Inc., a former subsidiary of the Company. The settlement agreement provides for an initial payment by the Company to the plaintiffs of $3.0 million in July 2001, which has been paid, and a second payment of $2.0 million in July 2002. The Company intends to seek payment from Federal of up to $3.5 million of the Chandler settlement, plus legal costs, although Federal is expected to contest this request and assert certain policy defenses.

For further information with respect to these legal proceedings, see the Company’s Annual Report on Form 10-K for the year ended December 31, 2000 and the Company’s Quarterly reports on Form 10-Q for the quarters ended March 31, 2001 and June 30, 2001.

In addition to the settlement of the Consolidated Class Actions, the Chandler litigation settlement, and other legal proceedings discussed in Item 3 of the Company’s most recent annual report on SEC Form 10-K, the Company is party to various other lawsuits and claims in the ordinary course of business. While the outcome of those lawsuits or claims cannot be predicted with certainty, the Company does not believe that any of the lawsuits or claims will have a material adverse effect on the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

On April 27, 2001, the Company filed a registration statement on Form S-8 for the purpose of registering 5.2 million additional shares reserved for issuance upon the exercise of stock options or the issuance of restricted stock awards that may be granted by the Company.

On March 23, 2001, the Company filed a Current Report on Form 8-K in which the Company announced that the court approved the Consolidated Class Action settlement.

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/ WILLIAM M. GOODYEAR

William M. Goodyear
Chairman and Chief Executive Officer

By: /s/ BEN W. PERKS

Ben W. Perks
Executive Vice President and
Chief Financial Officer

Date: November 5, 2001