

NAVIGANT CONSULTING INC  
Form PRE 14A  
March 04, 2005

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

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. \_\_ )**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Navigant Consulting, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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March XX, 2005

Dear Shareholder:

You are cordially invited to attend the 2005 Annual Meeting of Shareholders of Navigant Consulting, Inc., which will be held at The Chicago Club, 81 East Van Buren, Chicago, Illinois, 60605 on Wednesday, May 4, 2005, at 9:00 a.m. Central Standard Time. I look forward to greeting as many of our shareholders as possible.

Details of the business to be conducted at the meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend the meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign and date the enclosed proxy card and promptly return it in the enclosed envelope so that your shares will be represented at the meeting. You may also vote your shares over the Internet. If you so desire, you may withdraw your proxy and vote in person at the meeting.

We look forward to meeting those of you who will be able to attend the meeting.

Sincerely,

William M. Goodyear

Chairman of the Board and

Chief Executive Officer

615 North Wabash Avenue

Chicago, Illinois 60611

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD WEDNESDAY, MAY 4, 2005**

To the Shareholders of Navigant Consulting, Inc.:

We will hold the Annual Meeting of Shareholders of Navigant Consulting, Inc. (the Company) at The Chicago Club, 81 East Van Buren, Chicago, Illinois 60605 on Wednesday, May 4, 2005 at 9:00 a.m. Central Standard Time. The purposes of the meeting are to:

1. Elect two Directors to our Board of Directors to serve for a term of three years;
2. Consider and vote upon a proposed amendment to the Company's Amended and Restated Certificate of Incorporation to increase the Company's total authorized shares of common stock to 150 million;
3. Consider and vote upon the 2005 Long-Term Incentive Plan to replace the Company's current Long-Term Incentive Plan, which is due to expire in 2006;
4. Ratify the appointment of KPMG LLP as the Company's independent accountants for the year 2005; and
5. Transact any other business properly brought before the meeting or any adjournments of the meeting.

If you were a shareholder of record at the close of business on March 10, 2005, you are entitled to notice of and to vote at the Annual Meeting.

**IMPORTANT**

Whether or not you expect to attend the meeting, we urge you to sign, date and otherwise complete the enclosed proxy card and return it promptly in the envelope provided. No postage is required if mailed in the United States. You may also vote over the Internet by following the

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instructions on the enclosed proxy card. Sending in your proxy will not prevent you from attending and personally voting your shares at the meeting because you have the right to revoke your proxy at any time before it is voted.

We have also enclosed Navigant Consulting, Inc.'s 2004 Annual Report to Shareholders, which includes the Form 10-K and the proxy statement, with this notice of Annual Meeting.

By order of the Board of Directors,

Philip P. Steptoe

*Secretary*

Chicago, Illinois

March , 2005

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**YOUR VOTE IS IMPORTANT.**

**PLEASE VOTE YOUR PROXY ON THE INTERNET BY VISITING**

**[www.proxyvote.com](http://www.proxyvote.com)**

**OR**

**MARK, SIGN, DATE AND RETURN YOUR PROXY CARD BY MAIL**

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING**

**Navigant Consulting, Inc.**

**615 North Wabash Avenue**

**Chicago, Illinois 60611**

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**PROXY STATEMENT**

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**General**

We have sent you this proxy statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote at the 2005 Annual Meeting of Shareholders. We will hold the Annual Meeting on Wednesday, May 4, 2005, at 9:00 a.m. Central Standard Time, at The Chicago Club, 81 East Van Buren, Chicago, Illinois 60605. We will begin mailing this proxy statement and the accompanying proxy card to shareholders beginning on or about March 1, 2005.

At the Annual Meeting, our shareholders will consider (1) the election of two Directors to our Board of Directors; (2) a proposal to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock to 150 million; (3) a proposal to adopt the 2005 Long-Term Incentive Plan to replace the current Long-Term Incentive Plan, which is due to expire next year; and (4) the ratification of the appointment of KPMG LLP as the Company's independent accountants for 2005. The Board of Directors does not know of any other matters that may properly be brought before the Annual Meeting. If other matters should properly come before the Annual Meeting, the persons named as proxies in the enclosed proxy card intend to vote or otherwise act on those matters in accordance with their best judgment.

NAVIGANT is a service mark of Navigant International, Inc. Navigant Consulting, Inc. ( NCI ) is not affiliated, associated, or in any way connected with Navigant International, Inc. and NCI's use of NAVIGANT is made under license from Navigant International, Inc.

**Proxy Solicitation**

We will bear the expenses of this solicitation of proxies, including expenses of preparing and mailing this proxy statement. In addition to solicitation by mail, we may solicit proxies in person or by telephone, telegram or other means of communication by our officers, directors and employees, who will receive no additional compensation for, but may be reimbursed for their out-of-pocket expenses incurred in connection with, that solicitation. We have engaged D.F. King & Co., Inc. to solicit proxies and to assist us in distributing materials for a fee estimated at \$9,000, plus reimbursement of out-of-pocket expenses. We will furnish copies of solicitation materials to brokerage firms, nominees, fiduciaries and custodians to forward to beneficial owners of shares held in their names and will reimburse brokerage firms and other persons representing beneficial owners of stock for their reasonable expenses in forwarding our solicitation materials to beneficial owners.

**Shareholders Entitled to Vote and Voting Information**

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Only shareholders of record at the close of business on March 10, 2005, the record date for the Annual Meeting, are entitled to notice of and to vote at the Annual Meeting and any adjournments thereof. Each share of our common stock, par value \$0.001 per share, entitles the record holder to one vote on each matter to be voted on at the meeting. As of the record date, approximately \_\_\_\_\_ shares of our common stock were issued and outstanding. A majority of the shares of our common stock which are issued and outstanding and entitled to vote will constitute a quorum at the meeting.

Directors are elected by a plurality of the votes cast at a meeting at which a quorum is present. A plurality means that the nominees with the largest number of votes are elected as directors up to the maximum number of directors to be chosen at the meeting. Any other matters voted on at the meeting shall be determined by a majority of the votes cast.



If you mark  withhold authority  on your proxy card with respect to the election of a nominee for director, your vote will not count either  for  or  against  the nominee. If a broker or other person holding shares for you does not vote on a proposal (broker non-votes), your shares will not be counted in determining the number of votes cast. Abstentions, however, will be considered to be votes cast. Votes withheld, abstentions and broker non-votes will be counted in determining whether a quorum is present at the meeting.

If you do not give directions on your proxy card and you return the signed card, the persons named in the proxy card will vote the shares at their discretion on all matters.

If you vote by proxy, you may revoke that proxy at any time before it is voted by attending the meeting in person and voting in person, by sending us a proxy bearing a later date, or by filing with the Secretary of the Company a written revocation at the principal executive offices of Navigant Consulting, Inc., 615 North Wabash Avenue, Chicago, Illinois 60611.

**YOUR VOTE IS IMPORTANT. PLEASE RETURN YOUR MARKED AND SIGNED PROXY CARD PROMPTLY SO YOUR SHARES CAN BE REPRESENTED, EVEN IF YOU PLAN TO ATTEND THE MEETING IN PERSON.**

#### **PROPOSAL 1:**

#### **ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes, with a class of directors elected each year for a three-year term. At the Annual Meeting two Directors, Mr. William M. Goodyear and Ms. Valerie B. Jarrett, have been nominated for election to the Board. The Directors elected at the Annual Meeting will serve for a term of three years and until their successors are elected and qualified. Such term will expire at our Annual Meeting of Shareholders to be held in 2008. The persons named as proxies will vote for Mr. Goodyear and Ms. Jarrett for election to the Board unless the proxy card is marked otherwise.

If either Mr. Goodyear or Ms. Jarrett becomes unable or unwilling to serve, proxies will be voted for election of a person designated by the Board. The Board knows of no reason why either Mr. Goodyear or Ms. Jarrett should be unable or unwilling to serve.

The Board of Directors recommends that shareholders vote **FOR** Mr. Goodyear and Ms. Jarrett.

A listing of the principal occupation, other major affiliations and age of the continuing Directors of the Company, including the nominees for election, is set forth below:

**Nominees for Election at this Meeting to a Term Expiring at the Annual Meeting of Shareholders in 2008:**

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William M. Goodyear, 56, has served as a Director since December 1999. The Board of Directors elected him Chairman of the Board and Chief Executive Officer in May 2000 and subsequently elected him President. He is past Chairman and former Chief Executive Officer of Bank of America, Illinois. In addition, he was President of the Bank of America's Global Private Bank until January 1999. He was Vice Chairman and a member of the Board of Directors of Continental Bank, prior to the 1994 merger between Continental Bank Corporation and BankAmerica Corporation. Mr. Goodyear joined Continental Bank in 1972 and subsequently held a variety of assignments including corporate finance, corporate lending, trading and distribution. He was stationed in London from 1986 to 1991 where he was responsible for European and Asian Operations. Mr. Goodyear is currently a member of Chicago's Commercial Club, the Board of Trustees of the Chicago Public Library Foundation and the Finance Council of the Archdiocese of Chicago. He is the Chairman of the Board of Trustees for the Museum of Science and Industry, a member of the Board of Trustees of the University of Notre Dame and serves on the Rush University Medical Center Board, where he chairs the Finance Committee. Mr. Goodyear is a Trustee of Equity Office Properties Trust, where he is Chairman of its Audit Committee.

Valerie B. Jarrett, 48, has served as a Director since April 2002. Ms. Jarrett is a Managing Director and the Executive Vice President of The Habitat Company, a premier developer and manager of residential apartments. The Habitat Company also provides residential and commercial brokerage services as well as corporate relocation services. Before joining The Habitat Company, Ms. Jarrett served eight years in the City of Chicago government, first as Deputy Corporation Counsel for Finance and Development, then as Deputy Chief of Staff for Mayor Richard Daley and finally, as Commissioner of the Department of Planning and Development. Prior to joining City government, Ms. Jarrett practiced law with two private law firms specializing in the area of commercial real estate. Ms. Jarrett is Chairman of The Chicago Stock Exchange and Vice Chairman of the University of Chicago Hospitals Board of Trustees. She also serves as a Director of USG Corporation, Harris Insight Funds and The Joyce Foundation. Ms. Jarrett is a Trustee of the University of Chicago, the Museum of Science and Industry, and Window To The World Communications, Inc.

**Directors Whose Terms Continue until the Annual Meeting of Shareholders in 2006:**

Thomas A. Gildehaus, 64, has served as a Director since October 2000. In recent years Mr. Gildehaus has served as Chairman of Southwest Supermarkets LLC of Phoenix, Arizona, Chairman and Chief Executive Officer of Northwestern Steel and Wire Company of Sterling, Illinois, and President and Chief Executive Officer of UNR Industries, Inc. of Chicago, Illinois. Prior to 1992, Mr. Gildehaus served ten years as Executive Vice President of Deere & Company in Moline, Illinois. In the 1970s, Mr. Gildehaus was Vice President of Temple, Barker & Sloane, a consulting firm in Lexington, Massachusetts. He is a director of Genesis Health Systems Inc, and Mercator Partners, LLC. He is also a trustee of the Figgy Art Museum. Mr. Gildehaus is a graduate of Yale University and received a Master of Business Administration degree, with Distinction, from Harvard University.

Peter B. Pond, 60, has served as a Director since November 1996. Mr. Pond is the founder and General Partner of Alta Equity Partners, a venture capital firm. He formerly served as the Midwest Head of Investment Banking for Donaldson, Lufkin & Jenrette Securities Corporation from June 1991 to March 2000. Mr. Pond is Chairman of Maximus, Inc., a provider of program management and consulting services to state, county and local government health and human services agencies.

**Directors Whose Terms Continue until the Annual Meeting of Shareholders in 2007:**

James R. Thompson, 68, has served as a Director since August 1998. Governor Thompson was named Chairman of the Chicago law firm of Winston & Strawn in January 1993. He joined the firm in January 1991 as Chairman of the Executive Committee after serving four terms as Governor of the State of Illinois from 1977 until 1991. Prior to his terms as Governor, he served as U.S. Attorney for the Northern District of Illinois from 1971 to 1975. Governor Thompson served as the Chief of the Department of Law Enforcement and Public Protection in the Office of the Attorney General of Illinois, as an Associate Professor at Northwestern University School of Law, and as an Assistant State's Attorney of Cook County. He is a former Chairman of the President's Intelligence Oversight Board. Governor Thompson is currently a member of the Boards of Directors of FMC Corporation, FMC Technologies, Inc., Maximus, Inc. and Hollinger International, Inc. He was also a member of the National Commission on Terrorist Attacks upon the United States.

Samuel K. Skinner, 66, has served as a Director since December 1999. Mr. Skinner is the retired Chief Executive Officer of U.S. Freightways Corporation, a transportation and logistics business. He currently serves as an Adjunct Professor of Management and Strategy at the Kellogg School of Management at Northwestern University. He is also Of Counsel to the law firm of Greenberg & Traurig, LLP. He formerly served as Co-Chairman of Hopkins & Sutter, a law firm based in Chicago. Mr. Skinner retired as President of the Commonwealth Edison Company and its holding company, Unicom Corporation. Prior to joining Commonwealth Edison, he served as Chief of Staff to former President George Bush. Prior to his White House service, Mr. Skinner served in the President's cabinet for nearly three years as Secretary of Transportation. From 1977 to 1989, Mr. Skinner practiced law as a senior partner in the Chicago law firm of Sidley & Austin (now Sidley Austin Brown & Wood LLP). From 1984 to 1988, while practicing law full time, he also served as



Chairman of the Regional Transportation Authority of Northeastern Illinois and was appointed by President Reagan as Chairman of the President's Commission on Organized Crime. From 1968 to 1975, Mr. Skinner served in the office of the United States Attorney for the Northern District of Illinois and in 1977, President Ford appointed him United States Attorney, one of the few career prosecutors ever to hold such position. He is currently a member of the Boards of Directors of Midwest Air Group, Inc, Express Scripts, Diamond Cluster, APAC Customer Services and Dade Behring.

### **Board and Committee Meetings**

The Board met eight times in 2004. All Directors attended at least 75% of the meetings of the Board and of the committees on which they served.

The Board of Directors has an Audit Committee which monitors the integrity of the Company's financial statements, financial reporting process and internal controls regarding finance, accounting and legal compliance; monitors the independence and performance of our independent accountants; provides an avenue of communication among the independent accountants, management and our Board of Directors; and monitors significant litigation and financial risk exposure. The current members of the Audit Committee are Messrs. Gildehaus (Chairman), Pond, Skinner and Ms. Jarrett, each of whom is independent as defined by the listing standards of the New York Stock Exchange and applicable Securities and Exchange Commission (SEC) rules. The Board of Directors has determined that Mr. Gildehaus meets the criteria as an audit committee financial expert as defined in applicable SEC rules. The Audit Committee met nine times during 2004.

The Board of Directors has a Compensation Committee which reviews and monitors matters related to management development and succession; develops and implements executive compensation policies and pay for performance criteria for the Company; reviews and approves the initial and annual base salaries, annual incentive bonus and all long-term incentive awards of our Chairman of the Board and Chief Executive Officer; reviews and approves such compensation arrangements for all corporate officers, executive managing directors and certain other key employees; approves stock-related incentives under our stock incentive and executive compensation plans, and exercises all powers of the Board of Directors under those plans other than the power to amend or terminate those plans; reviews and approves material matters concerning our employee compensation and benefit plans; and carries out such responsibilities as have been delegated to it under various compensation and benefit plans and such other responsibilities with respect to our compensation matters as may be referred to it by our Board of Directors or management. The members of the Compensation Committee are Messrs. Skinner (Chairman), Gildehaus, Pond and Ms. Jarrett, each of whom is independent as defined by the listing standards of the New York Stock Exchange. The Committee's Report on Executive Compensation is included under the caption Compensation Committee Report on Executive Compensation. The Compensation Committee met three times during 2004.

The Board has a Nominating and Governance Committee which identifies individuals qualified to become Board members and recommends to the Board director nominees for election at the next Annual Meeting of Shareholders. In February 2004, the Nominating and Governance Committee approved revised guidelines and charters for the Board and its committees, as well as a new Code of Business Standards and Ethics, all of which are posted on the Company's website ([www.navigantconsulting.com](http://www.navigantconsulting.com)). Copies of those documents are available upon request as described under Other Information. Currently, the members of the Nominating and Governance Committee are Ms. Jarrett (Chairman), Mr. Skinner and Mr. Gildehaus, each of whom is independent as defined by the listing standards of the New York Stock Exchange. The Nominating and Governance Committee met three times during 2004. Governor Thompson currently serves as the Board's Presiding Director.

The Board of Directors has an Executive Committee, which can act in lieu of the Board of Directors as necessary. The members of the Executive Committee are Messrs. Goodyear (Chairman) and Skinner and Governor Thompson. The Executive Committee did not meet in 2004.

While the Company has no formal policy regarding attendance by Directors at the Annual Meeting of Shareholders, the Company encourages its Directors to attend. With the exception of Governor Thompson who was serving on the National Commission on Terrorist Attacks, all of the Directors attended the 2004 Annual Meeting of Shareholders.

### **Director Compensation**

Each non-employee Director is paid an annual retainer of \$40,000 and a fee of \$1,500 for each Board meeting or Committee meeting attended, except that members of the Audit Committee are paid \$2,000 per Committee meeting attended. Each Committee Chairman is paid an additional annual retainer of \$10,000, except that the additional annual retainer for the Chairman of the Audit Committee is \$20,000. All Directors are reimbursed for travel expenses incurred in connection with attending Board and Committee meetings.

Each non-employee Director makes an election to receive his or her annual retainer in the form of either cash or stock options to purchase shares in the Company. The number of stock options received is determined by dividing the annual retainer by the market price on the date of grant in January of each year. Such stock options become fully exercisable on the first anniversary of the grant date.

In addition, the existing long-term incentive plan provides that each non-employee Director elected to serve a three-year term shall receive a one-time grant of stock options to purchase 15,000 shares at the market price immediately following the Director's initial election. For non-employee Directors whose initial term is less than three years, the initial grant is reduced pro rata. Such stock options become fully exercisable on the six-month anniversary of the date of the initial election. The existing plan also provides that each non-employee Director receives an annual award of stock options of 5,000 shares at the market price on January 1st of each year. Such stock options become fully exercisable on the first anniversary of the grant date. However, these annual awards have not been made for 2005, for the reasons discussed below.

The Compensation Committee has recommended that the 2005 Long-Term Incentive Plan be adopted, effective May 4, 2005, to replace the existing plan, which is due to expire in 2006. As discussed below, one of the changes in the proposed new plan is to remove the formula options feature, which provides for the one-time and annual option grants to non-employee directors, as summarized in the immediately preceding paragraph. In lieu of such formula options, under the new plan the Compensation Committee would have the same flexibility each year to establish the equity component of non-employee directors' fees as it currently has with respect to the equity component of employee compensation. After consulting with its compensation consultant, the Compensation Committee has recommended that if the new plan is adopted, for their service in 2005 the non-employee directors will receive an annual grant of 1,500 options and 3,500 shares of restricted stock in lieu of the 5,000 share formula option grant discussed in the preceding paragraph. The options would become fully exercisable and the restricted stock would vest one year after the grant date. If the shareholders do not approve the new plan, then immediately following the annual meeting the non-employee directors will receive their annual 5,000 share formula option grants for 2005 under the existing plan as described in the immediately preceding paragraph. Although the Company does not anticipate electing any new non-employee Directors, if the new plan is adopted, the Compensation Committee's current intention is that any non-employee Director elected for the first time should receive a one-time grant of 3,750 option shares and 6,750 restricted stock shares, in each case vesting over a three year period, in lieu of the formula 15,000 option share grant described in the immediately preceding paragraph. In addition, the Compensation Committee also established equity ownership guidelines for non-employee directors and associated time periods for compliance.

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Governor Thompson, one of our Directors, is Chairman of the law firm of Winston & Strawn. Winston & Strawn has provided us in the past and may provide us in the future with legal representation.



**AUDIT COMMITTEE REPORT**

Our Committee has reviewed and discussed with management of the Company the audited financial statements of the Company as of and for the year ended December 31, 2004 (the Audited Financial Statements ). In addition, we have discussed with KPMG LLP, the independent accounting firm for the Company, the matters required by Codification of Statements on Auditing Standards No. 61. The Committee also has received the written disclosures from KPMG LLP required by Independence Standards Board Standard No. 1, and we have discussed with that firm its independence from the Company. We also have discussed with the management of the Company and the independent accounting firm such other matters and received such assurances from them as we deemed appropriate. Based on the foregoing review and discussions and relying thereon, we have recommended to the Company's Board of Directors the inclusion of the Audited Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. The Committee appointed KPMG LLP to act as the Company's independent accountants for 2005.<sup>1</sup>

AUDIT COMMITTEE

Thomas A. Gildehaus, Chairman

Valerie B. Jarrett

Peter B. Pond

Samuel K. Skinner

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<sup>1</sup> Pursuant to regulations promulgated by the Securities and Exchange Commission, neither the Audit Committee Report, the Compensation Committee Report on Executive Compensation nor the material under the caption Shareholder Return Performance Graph shall be deemed to be soliciting material or to be filed with the Securities and Exchange Commission for purposes of the Securities Exchange Act of 1934, as amended, nor shall such report or such material be deemed to be incorporated by reference in any past or future filing by the Company under that Act or the Securities Act of 1933, as amended.



## NOMINATING AND GOVERNANCE COMMITTEE REPORT

The Committee monitors and reviews new SEC rules and NYSE corporate governance standards as they are proposed, revised and adopted. In February 2004 the Committee approved revised corporate guidelines and committee charters that are intended to ensure compliance with the SEC rules and NYSE listing standards. Copies of these revised guidelines and charters are posted on the Company's website, [www.navigantconsulting.com](http://www.navigantconsulting.com). In addition, the Committee approved in 2004 a Code of Business Standards and Ethics (the "Code"), which is posted on the Company's website.

The Committee reviews and makes recommendations to the Board as to whether individual directors are "independent" for purposes of applicable SEC corporate governance rules and NYSE listing standards. The Committee's review is based on all relevant facts and circumstances, as well as applicable criteria set forth in applicable SEC rules and NYSE listing standards. In addition, the Committee has developed certain "categorical standards" describing certain relationships that are considered immaterial and do not preclude a finding of "independence." A copy of these categorical standards is posted on the Company's website. Based on this review, the Committee has found and the Board has affirmed that all of the Company's current Directors except for Mr. Goodyear are "independent" within the meaning of the NYSE listing standards, and that all of the members of the Company's Audit Committee meet the SEC's more stringent standards for audit committee independence.

In February 2005, the Committee recommended to the Board that Mr. William M. Goodyear and Ms. Valerie B. Jarrett be reelected to the Company's Board of Directors to serve a term of three years. In considering the qualifications of future candidates for election to the Board of Directors, the Committee will consider all relevant factors, including judgment, character, reputation, education and experience, in relation to the qualifications of any alternate candidates and in relation to the particular needs of the Board, its committees and the Company as they exist at the time such candidates are considered. The Committee values diversity, including gender and race. The Committee will also consider each candidate's relationships, if any, with the Company, its Directors, officers, employees and shareholders, as well as any applicable criteria set forth in SEC rules, New York Stock Exchange listing standards, and Delaware law. The Committee has not paid a fee to any third party to identify or evaluate potential nominees. The Nominating and Governance Committee will consider nominees for director recommended by shareholders on the same basis as candidates identified by the Committee, provided that the nominations are received by the Committee within the time frame established by our by-laws for nominations by shareholders of director candidates described under "Shareholder Proposals for the 2005 Proxy Statement." Recommendations should be sent to Navigant Consulting, Inc., 615 North Wabash Avenue, Chicago, Illinois 60611, Attention: Corporate Secretary.

### NOMINATING AND GOVERNANCE

#### COMMITTEE

Valerie B. Jarrett, Chairman

Samuel K. Skinner

Governor James R. Thompson

### PROPOSAL 2

#### AMENDMENT OF THE COMPANY'S CERTIFICATE OF INCORPORATION

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In November 1997, shareholders voted to amend the Company's Certificate of Incorporation to increase the total number of authorized shares of common stock to 75,000,000. The Board of Directors now has proposed and recommends for adoption by the Company's shareholders an amendment to the Certificate of Incorporation that would increase the total number of authorized shares of common stock to 150,000,000. No change will be made to the number of authorized shares of Preferred stock (3,000,000), none of which are currently outstanding. The Company's shareholders are asked to approve this amendment.

The holders of a majority of the shares of common stock present in person or by proxy at the meeting must vote in favor of the proposed amendment for it to be approved. **The Board of Directors recommends that shareholders vote FOR the amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock.**

The proposed amendment provides that paragraph A of Article Four of the Certificate be amended to read in its entirety as follows:

**AUTHORIZED SHARES.** The total number of shares of all classes of stock which the Corporation shall have authority to issue is one-hundred fifty-three million (153,000,000), consisting of one-hundred fifty million (150,000,000) shares of Common Stock, \$.001 par value per share (the Common Stock ), and three million (3,000,000) shares of Preferred Stock, \$.001 per value par share (the Preferred Stock ).

As of March 10, 2005 there were \_\_\_\_\_ shares of Common Stock issued and outstanding, and a total of \_\_\_\_\_ shares reserved for issuance under the Company's Employees' Stock Purchase Plan, the Company's Long-Term Incentive Plan and the 2001 Supplemental Equity Incentive Plan. Consequently, \_\_\_\_\_ shares of Common Stock were available for future issuance as of such date.

The Board of Directors believes that it is desirable for the Company to have available additional authorized but unissued shares of common stock to provide the Company with shares of common stock to be used for general corporate purposes, future acquisitions and equity financings. Without the additional shares, the Company's ability to finance additional growth could be restricted. Approval of the proposed amendment now will eliminate the delays and expense which otherwise would be incurred if shareholder approval were required to increase the authorized number of shares of common stock for possible future transactions involving the issuance of additional shares. An increase in the number of authorized shares will also increase the number of shares which may be reserved and subsequently issued pursuant to the Company's then-current long-term incentive plan and other employee benefit plans. Additional issuances of shares of common stock may also increase the public float, and therefore the liquidity of the shares of common stock for all holders.

The additional shares of common stock may be issued subject to certain restrictions, by the Board of Directors at such times, in such amounts and upon such terms as the Board may determine without further approval of the shareholders. The Company's current shareholders could suffer a dilution of voting rights, net income and net tangible book value per share of the common stock as the result of any such issuance of common stock depending on the number of shares issued and the purpose, terms and conditions of the issuance.

While the increase in the authorized shares of common stock is not being proposed for this reason, the availability of the additional shares could be used to render more difficult or discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities, or the removal of incumbent management by increasing the aggregate outstanding shares, and therefore the number of shares required to accomplish such a transaction. The board of directors may approve the issuance of previously authorized shares of common or preferred stock at such times and to such persons as it may determine to be in the best interests of our company and our shareholders, except for certain transactions involving the issuance of stock for which the New York Stock Exchange rules require prior shareholder approval. The proposed amendment therefore may have the effect of discouraging unsolicited takeover attempts, even if the transaction were flavored by the current shareholders.

### **PROPOSAL 3:**

#### **APPROVAL OF 2005 LONG-TERM INCENTIVE PLAN**

**General**

Our Board of Directors is proposing the Navigant Consulting, Inc. 2005 Long-Term Incentive Plan (the Plan ) for shareholder approval. The Plan was approved by our Board of Directors on February 17, 2005, subject to shareholder approval.

The purposes of the Plan are to (i) align the interests of the Company's shareholders and recipients of awards under the Plan, (ii) attract and retain officers, other employees, nonemployee directors, consultants, independent contractors and agents and (iii) motivate such persons to act in the long-term best interests of the Company's shareholders. Under the Plan, the Company may grant (a) stock options and stock appreciation rights (SARs), (b) stock awards, consisting of restricted stock, restricted stock units, performance shares and performance share units and (c) performance unit awards. Officers and other employees of the Company (approximately 600 persons currently participating), non-employee directors (currently 5 persons) and consultants, independent contractors and agents (currently 4 persons) will be eligible to participate in the Plan.

Unless otherwise instructed, the proxy holders will vote the proxies received by them **FOR** approval of the Plan.

### **Description of the Plan**

The following is a summary of the Plan, which is qualified in its entirety by reference to the complete text of the Plan, which is attached as Exhibit A to this Proxy Statement and incorporated herein by reference.

*Administration.* The Plan will be administered by the Compensation Committee of our Board of Directors (the Committee), which will have the authority to select persons who will receive awards and determine all of the terms and conditions of each award. The Committee will have authority to prescribe rules and regulations for administering the Plan and to decide questions of interpretation or application of any provision of the Plan. The Committee may, in its discretion, subject to the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), and regulations thereunder, take action such that (i) outstanding options and SARs will become exercisable in part or in full, (ii) all or a portion of the restriction period or performance period (if any) applicable to any outstanding restricted stock or restricted stock units shall lapse, (iii) all or a portion of the performance period applicable to any outstanding performance shares, performance share units or performance units shall lapse and (iv) the performance measures (if any) applicable to any outstanding award shall be deemed to be satisfied at the maximum or any other level. Except with respect to grants to persons subject to Section 16 of the Securities Exchange Act of 1934, as amended, and persons whose compensation is likely to be subject to the \$1 million deduction limit under Section 162(m) of the Code, the Committee may, subject to applicable law, delegate some or all of its authority to administer the Plan to the Chief Executive Officer or other executive officer of the Company.

*Available Shares.* Under the Plan, 5,250,000 shares of our common stock are available for awards, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change or event (the Plan Share Limit). If the Plan is approved by shareholders, the Company's Long-Term Incentive Plan, as amended through November 30, 2000 (the Prior Plan), will be terminated and no further awards will be granted under the Prior Plan.

Shares subject to options and SARs will be counted against the Plan Share Limit as one share for every one share subject thereto. Shares subject to stock awards, or payable pursuant to performance unit awards, will be counted against the Plan Share Limit as one and one-half shares for every one share subject thereto or payable pursuant thereto. The Plan Share Limit will be increased by shares that are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of an award granted under the Plan or outstanding under the Prior Plan at the time of adoption of the Plan, with such increases made in a manner that is consistent with Plan Share Limit deductions. No increases will be made by reason of the exercise of SARs.

*Award Limits.* To the extent necessary for an award to be qualified performance-based compensation under Section 162(m) of the Code and the regulations thereunder (i) the maximum number of shares with respect to which options or SARs or a combination thereof may be granted during any fiscal year to any person will be 300,000, subject to adjustment as described above, (ii) the maximum number of shares with respect to which



stock awards subject to performance measures may be granted during any fiscal year to any person will be 150,000, subject to adjustment as described above, and (iii) the maximum amount that may be payable with respect to performance units granted during any fiscal year to any person will be \$5,000,000.

*No Repricing.* Except in connection with an adjustment relating to a change in the Company's capital structure as described above, the Committee may not, without shareholder approval, amend or replace any previously granted option or SAR in a transaction that constitutes a repricing under the rules of the New York Stock Exchange.

*Stock Options and Stock Appreciation Rights.* The Committee may grant to eligible participants options to purchase shares of our common stock which are either non-qualified stock options or incentive stock options within the meaning of Section 422 of the Code. The Committee also may grant SARs, the exercise of which entitles the holder to receive shares of our common stock (which may be restricted stock), cash or a combination thereof with a value equal to the difference between the fair market value of our common stock on the exercise date and the base price of the SAR. The Committee will determine the terms of each option and SAR, including the number and exercise price or base price of the shares subject to the option or SAR, the term of the option or SAR and the conditions to the exercisability of the option or SAR. Upon exercise of an option, the purchase price must be paid (i) in cash, (ii) by delivery of certain previously-acquired shares of our common stock, (iii) except as may be prohibited by applicable law, by delivery of an irrevocable notice of exercise to a broker-dealer acceptable to the Company or (iv) by a combination of cash and delivery of certain previously-acquired shares. The exercise price of an option and the base price of an SAR will not be less than 100% of the fair market value of our common stock on the date of grant.

No stock option or SAR will be exercisable more than ten years after its date of grant, provided that if the recipient of an incentive stock option owns greater than ten percent of the voting power of all shares of capital stock of the Company, the option will be exercisable for no more than five years after its date of grant and the option exercise price will be the price required by the Code, currently 110% of the fair market value of our common stock on its date of grant. To the extent that the aggregate fair market value of our common stock with respect to which an incentive stock option is exercisable for the first time by an individual during a calendar year exceeds the amount established by the Code, currently \$100,000, such option will be treated as a non-qualified stock option.

Unless otherwise specified in the agreement relating to an option or SAR, in the event of termination of employment or service for any reason other than cause, each option and SAR will be exercisable to the extent exercisable on the date of such termination and in the event of termination for cause, each option and SAR will terminate on the date of such termination of employment. In the case of termination by reason of death or disability, each option and SAR will be exercisable for one year after the date of such termination (or such other period, or shorter period in the case of an incentive stock option, as determined by the Committee), but in no event after the expiration of such option or SAR (subject to extension in the case of death). In the event of termination of employment for any other reason (including retirement), each option and SAR will be exercisable to the extent exercisable on the date of such termination of employment for a period of three months after such termination of employment (or, in the case of a nonqualified stock option, such other period as determined by the Committee), but in no event after the expiration of such option or SAR. If a holder dies during the specified periods following termination of employment for any reason other than cause, each stock option or SAR will be exercisable to the extent that such option or SAR was exercisable on the date of the holder's death, and may thereafter be exercised for one year (or such other period as determined by the Committee) from the date of death, but in no event after the expiration of such option or SAR (subject to extension).

*Stock Awards and Performance Unit Awards.* The Plan provides for the grant of stock awards in the form of restricted stock awards, restricted stock unit awards, performance share awards and performance share unit awards. Restricted stock awards consist of shares, and restricted stock units consist of rights, in each case the vesting of which is subject to a restriction period determined by the Committee and may be subject to other terms

and conditions, including the attainment of performance measures within a specified performance period. Restricted stock unit awards entitle the holder thereof to receive, upon vesting, shares or cash, or a combination thereof. Performance share awards consist of shares and performance share unit awards consist of rights, in each case the vesting of which is subject to the attainment of performance measures within a specified performance period determined by the Committee and which may be subject to other terms and conditions. Performance share unit awards entitle the holder thereof to receive, upon vesting, shares (which may be restricted stock) or cash, or a combination thereof.

The holder of restricted stock or performance shares will have rights as a shareholder of the Company, including the right to vote and receive dividends with respect to the shares subject to the award. Prior to the settlement of a restricted stock unit award or a performance share unit award, the holder of the award will have no rights as a shareholder with respect to the shares of our common stock subject to the award.

In addition to stock-based awards, the Plan provides for the grant of performance unit awards, which consist of rights, not denominated in shares, that entitle the recipients to receive, upon vesting, shares or cash, or a combination thereof, based upon the achievement of performance measures.

Stock awards and performance unit awards vest during a period of not less than six months, as designated by the Committee.

Unless otherwise specified in the agreement relating to a stock award or a performance unit award, if the employment of the holder of the award terminates for cause, the portion of such award which is unvested as of such termination will be forfeited, and if the employment of the holder of such award terminates for any other reason (i) in the case of a restricted stock award or restricted stock unit award, the portion of the award which is unvested as of such termination will be forfeited and (ii) in the case of a stock award subject to performance measures or a performance unit award, the portion of the award which is unvested as of such termination will be forfeited unless otherwise determined by the Committee.

*Performance Measures.* The vesting of performance share awards, performance share unit awards and performance units will be subject to the satisfaction of performance measures. The vesting of restricted stock awards or restricted stock unit awards and the exercisability of stock options or SARs also may, in the discretion of the Committee, be subject to the satisfaction of performance measures. Performance measures include one or more of: our common stock value, earnings per share, return on assets, equity or invested capital, total shareholder return, earnings or net income of the Company, revenues, market share, cash flows or cost reduction goals, or any combination of the foregoing, as determined by the Committee.

*Non-transferability.* No award granted under the Plan will be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company, unless otherwise specifically approved by the Committee.

*Change in Control.* In the event of a Change in Control, the incumbent Board of Directors may, in its discretion, take any of the following actions or any combination of the following actions: (i) require that all outstanding options and SARs become exercisable and that all outstanding awards vest; (ii) require that shares of the corporation resulting from such Change in Control, or a parent corporation thereof, be substituted for some or all of the shares of our common stock subject to an outstanding award; or (iii) require outstanding awards, in whole or in part, be surrendered to the Company in exchange for a cash payment or shares of the corporation resulting from such Change in Control, or a parent corporation thereof. In general, Change in Control means (a) certain acquisitions of more than 50% of the then outstanding shares of our common stock, (b) a change in our Board of Directors resulting in the incumbent directors ceasing to constitute at least a majority of our Board of Directors, (c) the consummation of a reorganization, merger or consolidation or sale or disposition of at least 60%, or all or substantially all, of the assets of the Company, or the acquisition of the assets of another corporation for voting securities of the Company (unless, among other conditions, the Company's shareholders





receive more than 60% of the stock of the resulting company) or (d) the consummation of a liquidation or dissolution of the Company.

*Effective Date, Termination and Amendment.* If approved by shareholders at the Annual Meeting, the Plan will become effective as of the date of the Annual Meeting and will terminate 10 years after its effective date, unless terminated earlier by our Board of Directors. Our Board of Directors may amend the Plan at any time, subject to any requirement of shareholder approval required by applicable law, rule or regulation, including Section 162(m) of the Code and any rule of the NYSE.

### New Plan Benefits

The following table sets forth the number of stock options and shares of restricted stock which would be granted under the Plan to nonemployee directors on the date of the Annual Meeting if the Plan is approved by shareholders. No determination has been made by the Committee regarding future awards under the Plan to other eligible persons.

#### 2005 Long-Term Incentive Plan

<u>Name and Position</u>	<u>Dollar Value (\$)</u>	<u>Number of Units</u>
Non-Executive Director Group	[# of R/S x closing price] (1)	17,500 shares of restricted stock and options to purchase 7,500 shares of common stock (2)

- (1) On March 10, 2005, the closing sale price per share of our common stock on the New York Stock Exchange was \$ . For consistency of presentation, the dollar value shown for shares of restricted stock that would be awarded to the Non-Executive Director Group in 2005 also is based on such price. The options that would be awarded to the Non-Executive Director Group in 2005 have not been assigned a dollar value.
- (2) Immediately following the Annual Meeting, each nonemployee director will be granted options to purchase 1,500 shares and will be awarded 3,500 shares of restricted stock. The options will become exercisable and the restrictions on the shares of restricted stock will lapse one year after the date of grant.

### Federal Income Tax Consequences

The following is a brief summary of certain U.S. federal income tax consequences generally arising with respect to awards under the Plan. This summary is based on the U.S. federal income tax laws as in effect on December 31, 2004 and does not consider the potential impact of the American Jobs Creation Act of 2004 on the tax treatment of awards under the Plan.

*Stock Options.* A participant will not recognize taxable income at the time an option is granted and the Company will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) upon exercise of a non-qualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and the Company will be entitled to a corresponding deduction. A participant will not recognize income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the option was granted and one year from the date the shares were transferred to the participant, any gain or loss arising from a subsequent disposition of such shares will be taxed as long-term capital gain or loss, and the Company will not be entitled to any deduction. If, however, such shares are disposed of within the above-described period, then in the year of such disposition the

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participant will recognize compensation taxable as ordinary income equal to the excess of the lesser of (i) the amount realized upon such disposition and (ii) the fair market value of such shares on the date of exercise over the exercise price, and the Company generally will be entitled to a corresponding deduction.

*SARs.* A participant will not recognize taxable income at the time SARs are granted and the Company will not be entitled to a tax deduction at such time. Upon exercise, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) in an amount equal to the fair market value of any shares delivered and the amount of cash paid by the Company. This amount is deductible by the Company as compensation expense.

*Restricted Stock and Performance Shares.* A participant will not recognize taxable income at the time restricted stock or performance shares are granted and the Company will not be entitled to a tax deduction at such time, unless the participant makes an election to be taxed at such time. If such election is not made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. The amount of ordinary income recognized by making the above-described election or upon the lapse of restrictions is deductible by the Company as compensation expense, except to the extent the deduction limits of Section 162(m) of the Code apply. In addition, a participant receiving dividends with respect to restricted stock or performance shares for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee), rather than dividend income, in an amount equal to the dividends paid and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

*Restricted Stock Units, Performance Share Units and Performance Units.* A participant will not recognize taxable income at the time restricted stock units, performance share units or performance units are granted and the Company will not be entitled to a tax deduction at such time. Upon the settlement of these awards, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) in an amount equal to the fair market value of any shares delivered and the amount of cash paid by the Company. This amount is deductible by the Company as compensation expense, except to the extent the deduction limits of Section 162(m) apply.

The approval of the Plan requires the affirmative vote of the holders of a majority of the shares of our common stock represented at the Annual Meeting, in person or by proxy, and entitled to vote thereon.

**Our Board of Directors recommends a vote FOR approval of the Navigant Consulting, Inc. 2005 Long-Term Incentive Plan.**

## COMPENSATION COMMITTEE REPORT

### ON EXECUTIVE COMPENSATION

This report of the Compensation Committee (the Committee) describes the philosophy that underlies the cash and equity-based components of our executive compensation program. It also describes the details of each element of the program and the rationale for compensation paid to our Chief Executive Officer and other officers and key employees in general.

#### Compensation Philosophy and Objectives

The Committee believes that the compensation offered to its Chief Executive Officer, other officers and key employees must be sufficient to attract, retain and fairly compensate highly qualified individuals. Executive compensation should be competitive and based on overall financial results, individual contributions and teamwork, with the objective that a fair relationship exists between executive pay and the creation of shareholder value. The Committee, among other things, considers the performance of the Company's operations, the compensation of executive officers and key employees of competitors, salary surveys of industry-related positions or positions at comparably sized companies and the

salary history of the particular individual and other compensation then in place, including outstanding equity based awards.

The Committee determines compensation by using its subjective judgment and taking into account both qualitative and quantitative factors. No weights are assigned to such factors with respect to any compensation component. There is no singular objective formula by which compensation is determined and the decisions are ultimately subjective.

### **Annual Compensation**

The compensation program has three elements:

annual base salary;

annual incentive compensation, which is based on certain performance objectives; and

equity awards under the Company's incentive plans, which are based on both Company performance and individual performance.

*Base Salary.* Base salaries for the Chief Executive Officer, other officers and key employees are established based on the scope of the duties and responsibilities of each individual's position. The base salary of the Chief Executive Officer is reviewed annually in accordance with his employment agreement. Mr. Goodyear's employment agreement is described below in the section entitled Management Compensation. Typically, other officers and key employees also have employment agreements specifying base salaries.

*Annual Incentive Compensation.* The Board has previously approved a compensation program for executive officers based on certain financial performance criteria, including revenue growth, profitability and percentage performance of target goals. After a review of the Company's performance, incentive compensation, if any, is paid to officers and employees in cash or restricted stock for the calendar year in which it was earned on or before March 1st of the following year. The incentive compensation is forfeited if an individual is not an active employee on the date incentive compensation is paid.

In 2004 the Company instituted a stock incentive program pursuant to which officers and senior employees will receive a specified portion of their annual incentive compensation in restricted stock in lieu of cash. The restricted stock is granted pursuant to the existing long-term incentive plan described below. Corporate officers, including the Chief Executive Officer, will receive 25% of their annual incentive compensation in the form of restricted stock with the option to take an additional 5% to 20% of their annual incentive compensation in restricted stock. The Company will grant an additional amount of restricted stock equal to a percentage of the value of the incentive compensation paid in restricted stock in lieu of cash. The Company has also established ownership guidelines for officers and senior employees as well as associated time periods for compliance.

*Long-Term Incentive Plan.* The Committee believes that equity compensation is an important component of the compensation offered by the Company and promotes long-term retention of its key employees, motivates high levels of performance and recognizes a key employee's contributions to the success of the Company. In addition, equity compensation aligns management's interests with those of our shareholders on a long-term basis. The Committee recognizes that we conduct our business in an increasingly competitive environment. In order to remain competitive, we must employ the best and most talented key employees who possess demonstrated skills and experience. The Committee believes that equity compensation may give us an advantage in attracting and retaining such employees. The Committee also believes our long-term incentive plan is an important feature of our executive compensation package. Under the plan, options, restricted stock and other forms of equity compensation may be granted to the Chief Executive Officer, other officers and key employees who are expected to make important contributions to our future success. In reviewing the size of such equity grants, the Committee focuses primarily on our performance and the perceived role of each person in accomplishing our performance objectives, as well as the satisfaction of individual performance

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objectives. As discussed above, the Company is seeking shareholder approval to replace its existing long-term incentive plan, which is due to expire in 2006, with a new long-term incentive plan.

**Policy on Deductibility of Compensation**

Code Section 162(m) prohibits us from deducting for federal income tax purposes any amount paid in excess of \$1,000,000 per year to our Chief Executive Officer or any of our four most highly paid executive officers, except that compensation above \$1,000,000 may be deducted if it is performance-based compensation within the meaning of the Code. The Committee believes that our current compensation arrangements, which are primarily based on performance, are appropriate and in the Company's and its shareholders' best interests, without regard to tax considerations. Thus, if the tax laws or their interpretation change or other circumstances occur which might make some portion of the executive compensation non-deductible for federal tax purposes, the Committee does not plan to make significant changes in the basic philosophy and practices reflected in our executive compensation program.

**Chief Executive Officer's Compensation**

The total compensation of Mr. Goodyear under his employment agreement and his performance incentive bonus approved by the Committee for 2004 are consistent with the Committee's compensation objectives described above. In particular, Mr. Goodyear's performance incentive bonus for 2004 was determined by the Committee based on its review of the Company's and Mr. Goodyear's performance during 2004 and certain benchmarking information and recommendations provided by its compensation consultant. Mr. Goodyear's employment agreement is described in detail in the section below entitled, Management Compensation.

COMPENSATION COMMITTEE

Samuel K. Skinner, Chairman

Thomas A. Gildehaus

Valerie B. Jarrett

Peter B. Pond



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**SHAREHOLDER RETURN PERFORMANCE GRAPH**

The following graph compares the percentage change in the cumulative total shareholder return on our common stock against the New York Stock Exchange Market Index (the NYSE Index), the Peer Group described below and the peer group reported in our last proxy statement (the Old Peer Group). The graph assumes that \$100 was invested on December 31, 1999, in each of our common stock, the NYSE Index, the Old Peer Group and the Peer Group. The graph also assumes that all dividends, if paid, were reinvested.

Note: The stock price performance shown below is not necessarily indicative of future price performance.

<u>Measured Period</u>	<u>NYSE Index</u>	<u>Peer Group (a)</u>	<u>Old Peer Group (b)</u>	<u>Navigant Consulting, Inc.</u>
FYE 12/31/99	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
FYE 12/31/00	\$ 102.38	\$ 105.37	\$ 76.03	\$ 35.06
FYE 12/31/01	\$ 93.26	\$ 133.22	\$ 97.46	\$ 50.57
FYE 12/31/02	\$ 76.18	\$ 136.71	\$ 91.93	\$ 54.25
FYE 12/31/03	\$ 98.69	\$ 143.38	\$ 103.42	\$ 173.43
FYE 12/31/04	\$ 111.45	\$ 164.85	\$ 171.90	\$ 244.60

Notes:

(a) The Peer Group consists of the following companies: ChoicePoint, Inc., Charles River Associates, Inc., FTI Consulting, Inc., Gartner Group, Inc., Huron Consulting Group Inc., LECG Corporation and META Group, Inc. Huron and LECG are new additions to the Peer Group. The Peer Group and the Old Peer Group are weighted by market capitalization.

(b) The Old Peer Group consists of the same companies above, except Huron and LECG. In addition, the Old Peer Group included American Management Systems, Inc. and Kroll Inc., both of which were acquired during 2004.