

Huron Consulting Group Inc.  
Form 10-Q/A  
August 17, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10 Q/A**  
**(Amendment No. 1)**

(Mark One)

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

For the quarterly period ended March 31, 2009

OR

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

Commission file number: 000-50976

**HURON CONSULTING GROUP INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**01-0666114**  
(IRS Employer

Identification Number)

**550 West Van Buren Street**

**Chicago, Illinois**

**60607**

(Address of principal executive offices)

(Zip Code)

**(312) 583-8700**

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 23, 2009, approximately 21,522,506 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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**EXPLANATORY NOTE TO AMENDMENT NO. 1**

In this Amendment No. 1 on Form 10-Q/A ( Amendment ) to our quarterly report on Form 10-Q originally filed with the U.S. Securities and Exchange Commission ( SEC ) on April 30, 2009 (the Original Filing ), we are restating the following previously-issued financial statements:

Our consolidated balance sheets as of March 31, 2009 and December 31, 2008;

Our consolidated statements of income for the three months ended March 31, 2009 and 2008;

Our consolidated statement of stockholders' equity for the three months ended March 31, 2009; and

Our consolidated statements of cash flows for the three months ended March 31, 2009 and 2008.

In addition, we are contemporaneously filing an amendment to our annual report on Form 10-K for the year ended December 31, 2008, originally filed with the SEC on February 24, 2009, to restate our financial statements for the years ended December 31, 2008, 2007 and 2006. The restatement relates to four businesses that we acquired between 2005 and 2007 (the Acquired Businesses ). Pursuant to the purchase agreements for each of these acquisitions, payments were made by us to the selling shareholders (1) upon closing of the transaction, (2) in some cases, upon the Acquired Businesses achieving specific financial performance targets over a number of years ( earn-outs ), and (3) in one case, upon the buy-out of an obligation to make earn-out payments. These payments are collectively referred to as acquisition-related payments.

The acquisition-related payments made by us to the selling shareholders represented purchase consideration. As such, these payments, to the extent that they exceeded the net of the fair value assigned to assets acquired and liabilities assumed, were properly recorded as goodwill, in accordance with generally accepted accounting principles ( GAAP ). Payments made upon the closing of the acquisition were recorded as goodwill on the date of closing. Earn-out payments were recorded as purchase consideration resulting in additional goodwill when the financial performance targets were met by the Acquired Businesses. The payment made upon the buy-out of an obligation to make earn-out payments was recorded as goodwill on the date of the buy-out.

It recently came to the attention of the Audit Committee of our Board of Directors that, in connection with one of these acquisitions, the selling shareholders had an agreement among themselves to reallocate a portion of their earn-outs to an employee of the Company who was not a selling shareholder. Following this discovery, the Audit Committee commenced an inquiry into the relevant facts and circumstances of all of our prior acquisitions to determine if similar situations existed. The Audit Committee notified the Company's independent auditors who had not previously been aware of the Shareholder Payments and the Employee Payments (in each case, as defined below).

This inquiry resulted in the discovery that the selling shareholders of the Acquired Businesses made one or both of the following types of payments:

- 1) The selling shareholders redistributed portions of their acquisition-related payments among themselves in amounts that were not consistent with their ownership interests on the date we acquired the business ( Shareholder Payments ). These Shareholder Payments were dependent, in part, on continuing employment with the Company or on the achievement of personal performance measures.

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- 2) The selling shareholders redistributed portions of their acquisition-related payments to certain of our employees who were not selling shareholders of the Acquired Businesses ( Employee Payments ). These Employee Payments were dependent on continuing employment with the Company or on the achievement of personal performance measures. The Company employees who received the Employee Payments were client-serving and administrative employees of the respective Acquired Businesses at the date such businesses were acquired by us as well as similar employees hired by or assigned to the respective Acquired Businesses after the date of such acquisitions. This restatement is necessary because we failed to account for the Shareholder Payments and the Employee Payments in accordance with GAAP. The selling shareholders were not prohibited from making the Shareholder Payments or the Employee Payments under the terms of the purchase agreements with the Company for the acquisitions of the Acquired Businesses. However, under GAAP, including guidance promulgated by the SEC, actions of economic interest holders in a company may be imputed to the company itself. The selling shareholders of the Acquired Businesses meet the criteria of economic interest holders of Huron due to their ability to earn additional consideration from Huron. As such, when the selling shareholders redistribute acquisition-related payments among themselves or redistribute a portion of their acquisition-related payments to our employees who were not selling shareholders based on employment or performance-based criteria, these payments are viewed as resulting from services that are assumed to have benefited Huron and must

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therefore be recorded as non-cash compensation expense incurred by Huron under GAAP. Accordingly, the Employee Payments and the Shareholder Payments are imputed to us. In the case of the Shareholder Payments, such payments are imputed to us even when the amounts that are received by the selling shareholders in the redistribution do not differ significantly from the amounts the selling shareholders would have received if the portion of the acquisition-related payments redistributed based on performance or employment had been distributed solely in accordance with the ownership interests of the applicable selling shareholders on the date we acquired the business. In effect, the Shareholder Payments and the Employee Payments are in substance a second and separate transaction from our acquisition of the Acquired Businesses, which should have been recorded as a separate non-cash accounting entry. Both the Shareholder Payments and the Employee Payments are therefore required to be reflected as non-cash compensation expense of Huron, and the selling shareholders are deemed to have made a capital contribution to Huron. The entries are non-cash because the payments were made directly by the selling shareholders from the acquisition proceeds they received from us. We did not expend additional cash with respect to the compensation charge.

Based on its inquiry into the facts and circumstances underlying the restatement, which is now substantially complete, the Audit Committee determined that the Shareholder Payments and Employee Payments were not properly recorded in our financial statements because senior management did not properly take into account the impact of the selling shareholders' redistribution of the acquisition-related payments when determining the appropriate accounting treatment. In some cases, senior management was unaware of the redistributions. In other cases, senior management was aware of the redistributions but either misunderstood or misapplied the appropriate accounting guidance. As a result, the facts and circumstances surrounding the Shareholder Payments and Employee Payments were not fully described in representation letters previously provided to our independent auditors.

In light of these determinations and given the magnitude of the accounting errors underlying the restatement, our Board of Directors concluded that it was appropriate for the Company to appoint a new Chairman, a new Chief Executive Officer, a new Chief Financial Officer and a new Chief Accounting Officer. Our Board of Directors and Gary Holdren, our then Chief Executive Officer, agreed that he should resign as Chairman of the Board and Chief Executive Officer. George Massaro, who was the then Vice Chairman of the Board of Directors, was elected as our Non-Executive Chairman of the Board of Directors. James Roth, one of the founders of the Company, was named Chief Executive Officer. James Rojas, another founder of the Company, was named Chief Financial Officer, succeeding Gary Burge who will remain as Treasurer and remain with the Company until the end of 2009. Wayne Lipski, previously Chief Accounting Officer, will be leaving the Company.

As a result of the correction of these non-tax deductible errors, we recalculated our provision for income taxes for each of the quarterly periods using the annual effective income tax rate method in accordance with Statement of Financial Accounting Standards, or SFAS, No. 109,

Accounting for Income Taxes. As such, our interim quarterly provision for income taxes decreased in certain periods and increased in others, with a corresponding change in income tax receivable or payable. However, there is no change to our provision for income taxes or our tax accounts on an annual basis. While the correction of these errors significantly reduced our net income and earnings per share for each of the affected periods, it had no effect on our total assets, total liabilities, or total stockholders' equity on an annual basis. Further, the correction of these errors had no effect on our net cash flows. The table below summarizes the impact of the restatement on our consolidated statements of income for the three months ended March 31, 2009 and 2008 (in thousands, except earnings per share). The effects of the restatement, including the tax adjustments, are further presented in note 3, Restatement of Previously-Issued Financial Statements in the notes to consolidated financial statements under Part I - Item 1. Consolidated Financial Statements.

(Unaudited)	Three Months Ended	
	2009	2008
Impact on Consolidated Statement Of Income:		
Increase in Direct Costs	\$ 3,762	\$ 5,020
Increase (Decrease) in Provision for Income Taxes	\$ (587)	\$ 2,144
Decrease in Net Income	\$ (3,175)	\$ (7,164)
Decrease in Basic Earnings Per Share	\$ (0.16)	\$ (0.41)
Decrease in Diluted Earnings Per Share	\$ (0.16)	\$ (0.39)

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The restatement is further described in note 3. Restatement of Previously-Issued Financial Statements in the notes to consolidated financial statements under Part I - Item 1. Consolidated Financial Statements and in Part I - Item 2.

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Management's Discussion and Analysis of Financial Condition and Results of Operations. In addition, certain risks and uncertainties relating to the restatement and certain other risks and uncertainties that are heightened by the restatement are described in Part II Item 1A. Risk Factors and under the heading Risk Factors in our 2008 Annual Report on Form 10-K/A. As a result of the inquiry, we have identified a material weakness in the Company's internal control over financial reporting, which is described under Part I - Item 4. Controls and Procedures. See Item 9A. Controls and Procedures in our 2008 Annual Report on Form 10-K/A for management's report on internal control over financial reporting, a description of the material weakness and remediation plans to address the material weakness.

On August 4, 2009, we signed an Acknowledgment and Consent Agreement with respect to our \$460 Million Revolving Credit and Term Loan Credit Agreement (the Credit Agreement). We requested an advance of \$6 million under the revolving credit facility to fund current working capital needs during the interim period while we restate our financial statements. The lenders agreed to this request subject to a reservation of rights under the Credit Agreement. This advance, together with collections on our accounts receivable, provided adequate working capital during the interim period prior to the restatement of our financial statements. We expect to be in full compliance with the financial covenants under the Credit Agreement once the restatement is completed and compliance certificates for the second quarter of 2009 are provided to the lenders. We have been engaging, and expect to continue to engage, in regular discussions with our lenders.

On July 31, 2009, immediately prior to our announcement of our intention to restate our financial statements, the price of our common stock was \$44.35 per share. As of the close of business on August 3, 2009, the business day following such announcement, the price of our common stock was \$13.69 per share. As a result of the significant decline in the price of our common stock, we expect to engage in an impairment analysis with respect to the carrying value of our goodwill in connection with the preparation of our financial statements for the quarter ended September 30, 2009. If following such analysis we are required to record a non-cash goodwill impairment charge, we may not be in compliance with the financial covenants in the Credit Agreement. In the absence of an amendment or waiver from our lenders, failure to comply with such covenants may result in (1) a default interest rate of 2% being charged in addition to the interest rate as determined under the Credit Agreement on all of our outstanding indebtedness under the Credit Agreement, (2) our not being able to make additional borrowings under the Credit Agreement, which we rely on to fund our operations, and (3) the lenders requiring us to repay our outstanding indebtedness, under the Credit Agreement, which totaled \$295 million as of June 30, 2009. There can be no assurance that we will remain in compliance with the financial covenants under the Credit Agreement or, if we are not, that we will obtain the necessary amendments or waivers and, even if we are able to obtain them, such amendments or waivers may subject us to terms materially less favorable to us than those in our current agreement. A discussion of the risks and uncertainties relating to the Credit Agreement and our ability to borrow funds under the Credit Agreement is set forth in Part II Item 1A. Risk Factors and under the heading Risk Factors in our 2008 Annual Report on Form 10-K/A.

The SEC is commencing an investigation with respect to the circumstances that led to the restatement. In addition to the SEC investigation, we conducted a separate inquiry, in response to an inquiry from the SEC, into the allocation of chargeable hours. This matter has no impact on billings to our clients, but could impact the timing of when revenue is recognized. Based on our internal inquiry, which is substantially complete, we have concluded that an adjustment to our historical financial statements is not required with respect to this matter. The SEC inquiry with respect to the allocation of chargeable hours is ongoing. We intend to cooperate fully with the SEC in its investigation with respect to the circumstances that led to the restatement and its inquiry into the allocation of chargeable hours. In addition, several purported shareholder class action complaints have been filed in connection with our restatement in the United States District Court for the Northern District of Illinois, which assert claims under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Rule 10b-5 promulgated thereunder and contend that the Company and the individual defendants issued false and misleading statements regarding the Company's financial results and compliance with GAAP. We intend to defend vigorously the actions. See note 3. Restatement of Previously-Issued Financial Statements in the notes to consolidated financial statements under Part I - Item 1. Consolidated Financial Statements, Restatement of Previously-Issued Financial Statements under Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Part II Item 1. Legal Proceedings for a description of these lawsuits. In addition, see Part II Item 1A. Risk Factors and Risk Factors in our 2008 Annual Report on Form 10-K/A for a discussion of certain risks and uncertainties relating to the SEC investigation, the SEC inquiry and the private lawsuits and certain other risks and uncertainties that are heightened by the SEC investigation, the SEC inquiry and the private lawsuits.

This Amendment sets forth the Original Filing in its entirety; however, this Amendment only amends disclosures and amounts related to the restatement. The following items in the Original Filing have been amended as a result of the restatement:



Part I: Item 1 Consolidated Financial Statements

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Part I: Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I: Item 4 Controls and Procedures

Part II: Item 1 Legal Proceedings

Part II: Item 1A Risk Factors

Part II: Item 6 Exhibits

Except to the extent relating to the restatement of our financial statements and the inquiry by the Company and the SEC into the allocation of chargeable hours discussed below, we have not modified or updated disclosures presented in the Original Filing to reflect events or developments that have occurred after the date of the Original Filing. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events, results or developments that have occurred or facts that have become known to us after the date of the Original Filing (other than with respect to the restatement and the inquiry by the Company and the SEC into the allocation of chargeable hours), and such forward-looking statements should be read in their historical context and in conjunction with our filings with the SEC subsequent to the date of the Original Filing, including any amendments to these filings.

We have not amended any of our previously-filed quarterly reports on Form 10-Q for the quarters ended on or prior to December 31, 2008.

This Amendment should be read in conjunction with our amendment to our annual report on Form 10-K for the year ended December 31, 2008 and our filings made with the SEC subsequent to the Original Filing, including any amendments to those filings.

This Amendment includes currently-dated certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, which are filed as Exhibits 31.1, 31.2, 32.1 and 32.2.

**Table of Contents****Huron Consulting Group Inc.****PART I FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****HURON CONSULTING GROUP INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)****(Unaudited)**

	<b>March 31, 2009 (Restated)</b>	<b>December 31, 2008 (Restated)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,566	\$ 14,106
Receivables from clients, net	87,496	88,071
Unbilled services, net	47,734	43,111
Income tax receivable	2,882	3,496
Deferred income taxes	14,427	15,708
Prepaid expenses and other current assets	16,172	14,563
<b>Total current assets</b>	<b>178,277</b>	<b>179,055</b>
Property and equipment, net	43,760	44,708
Deferred income taxes	828	2,064
Other non-current assets	14,664	15,722
Intangible assets, net	29,317	32,372
Goodwill	506,544	505,676
<b>Total assets</b>	<b>\$ 773,390</b>	<b>\$ 779,597</b>
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 7,547	\$ 6,505
Accrued expenses	22,627	27,361
Accrued payroll and related benefits	29,642	48,374
Accrued consideration for business acquisitions	16,132	60,099
Income tax payable	1,412	2,086
Deferred revenues	20,096	21,208
Current portion of capital lease obligations	416	518
<b>Total current liabilities</b>	<b>97,872</b>	<b>166,151</b>
Non-current liabilities:		
Deferred compensation and other liabilities	6,694	5,511
Capital lease obligations, net of current portion	139	204
Bank borrowings	321,500	280,000

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Deferred lease incentives	9,076	8,705
<b>Total non-current liabilities</b>	<b>337,409</b>	<b>294,420</b>
Commitments and contingencies		
<b>Stockholders equity</b>		
Common stock; \$0.01 par value; 500,000,000 shares authorized; 22,038,006 and 21,387,679 shares issued at March 31, 2009 and December 31, 2008, respectively	204	202
Treasury stock, at cost, 516,375 and 404,357 shares at March 31, 2009 and December 31, 2008, respectively	(28,098)	(21,443)
Additional paid-in capital	282,996	263,485
Retained earnings	83,807	76,731
Accumulated other comprehensive income (loss)	(800)	51
<b>Total stockholders equity</b>	<b>338,109</b>	<b>319,026</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 773,390</b>	<b>\$ 779,597</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

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**HURON CONSULTING GROUP INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share amounts)

(Unaudited)

	Three months ended March 31,	
	2009 (Restated)	2008 (Restated)
<b>Revenues and reimbursable expenses:</b>		
Revenues	\$ 163,009	\$ 139,394
Reimbursable expenses	14,240	11,613
Total revenues and reimbursable expenses	177,249	151,007
<b>Direct costs and reimbursable expenses</b> (exclusive of depreciation and amortization shown in operating expenses):		
Direct costs	102,893	88,464
Intangible assets amortization	1,686	24
Reimbursable expenses	14,300	11,610
Total direct costs and reimbursable expenses	118,879	100,098
<b>Operating expenses:</b>		
Selling, general and administrative	34,531	30,162
Depreciation and amortization	5,759	5,138
Total operating expenses	40,290	35,300
Operating income	18,080	15,609
<b>Other income (expense):</b>		
Interest expense, net of interest income	(2,733)	(1,833)
Other expense	(471)	(294)
Total other expense	(3,204)	(2,127)
Income before provision for income taxes	14,876	13,482
Provision for income taxes	7,800	10,433
Net income	\$ 7,076	\$ 3,049
Earnings per share:		
Basic	\$ 0.36	\$ 0.18
Diluted	\$ 0.35	\$ 0.17

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Weighted average shares used in calculating earnings per share:

Basic	19,528	17,372
Diluted	20,252	18,215

*The accompanying notes are an integral part of the consolidated financial statements.*

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(In thousands, except share amounts)

(Unaudited)

	Common Stock			Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders Equity
	Shares	Amount	Treasury Stock				
<b>Balance at December 31, 2008 (Restated)</b>	20,183,908	\$ 202	\$ (21,443)	\$ 263,485	\$ 76,731	\$ 51	\$ 319,026
Comprehensive income:							
Net income					7,076		7,076
Foreign currency translation adjustment, net of tax						(336)	(336)
Unrealized loss on cash flow hedging instrument, net of tax						(515)	(515)
Total comprehensive income							6,225
Issuance of common stock in connection with:							
Restricted stock awards, net of cancellations	209,984	2	(5,107)	5,105			
Exercise of stock options	14,184			43			43
Share-based compensation				6,638			6,638
Shares redeemed for employee tax withholdings			(1,548)				(1,548)
Income tax benefit on share-based compensation				3,963			3,963
Capital contributed by selling shareholders of acquired businesses				3,762			3,762
<b>Balance at March 31, 2009 (Restated)</b>	20,408,076	\$ 204	\$ (28,098)	\$ 282,996	\$ 83,807	\$ (800)	\$ 338,109

The accompanying notes are an integral part of the consolidated financial statements.

**Table of Contents****Huron Consulting Group Inc.****HURON CONSULTING GROUP INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(Restated)</b>	<b>(Restated)</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 7,076	\$ 3,049
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,445	5,162
Share-based compensation	6,638	6,418
Non-cash compensation	3,762	5,020
Allowances for doubtful accounts and unbilled services	(1,261)	651
Deferred income taxes	2,931	(1,487)
Changes in operating assets and liabilities, net of businesses acquired:		
Decrease (increase) in receivables from clients	630	(2,823)
Increase in unbilled services	(4,564)	(11,752)
Decrease (increase) in current income tax receivable / payable, net	(49)	2,956
Increase in other assets	(503)	(1,094)
Increase in accounts payable and accrued liabilities	532	1,815
Decrease in accrued payroll and related benefits	(18,838)	(36,697)
(Decrease) increase in deferred revenues	(1,747)	332
Net cash provided by (used in) operating activities	2,052	(28,450)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment, net	(3,598)	(5,530)
Net investment in life insurance policies	(154)	(878)
Purchases of businesses, net of cash acquired	(46,203)	(10,153)
Net cash used in investing activities	(49,955)	(16,561)
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options	43	136
Shares redeemed for employee tax withholdings	(1,548)	(5,491)
Tax benefit from share-based compensation	3,963	8,018
Proceeds from borrowings under credit facility	100,500	101,500
Repayments on credit facility	(59,000)	(48,000)
Payments of capital lease obligations	(98)	(214)



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Net cash provided by financing activities	43,860	55,949
Effect of exchange rate changes on cash	(497)	346
Net (decrease) increase in cash and cash equivalents	(4,540)	11,284
Cash and cash equivalents at beginning of the period	14,106	2,993
Cash and cash equivalents at end of the period	\$ 9,566	\$ 14,277

*The accompanying notes are an integral part of the consolidated financial statements.*

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### **Huron Consulting Group Inc.**

#### **1. Description of Business**

We are a leading provider of operational and financial consulting services. We help clients in diverse industries improve performance, comply with complex regulations, resolve disputes, recover from distress, leverage technology, and stimulate growth. We team with our clients to deliver sustainable and measurable results. Our clients include a wide variety of both financially sound and distressed organizations, including leading academic institutions, healthcare organizations, Fortune 500 companies, medium-sized businesses, and the law firms that represent these various organizations.

#### **2. Basis of Presentation**

The accompanying unaudited consolidated financial statements reflect our results of operations and cash flows for the three months ended March 31, 2009 and 2008, which have been restated as described in note 3. Restatement of Previously-Issued Financial Statements. These financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ( SEC ). In the opinion of management, these financial statements reflect all adjustments of a normal, recurring nature necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented in conformity with accounting principles generally accepted in the United States of America ( GAAP ). These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2008 included in Amendment No. 1 on Form 10-K/A. Our results for any interim period are not necessarily indicative of results for a full year or any other interim period.

#### **3. Restatement of Previously-Issued Financial Statements**

In this Amendment No. 1 on Form 10-Q/A (the Amendment ) to our quarterly report on Form 10-Q originally filed with the SEC on April 30, 2009, we are restating the following previously-issued financial statements:

Our consolidated balance sheets as of March 31, 2009 and December 31, 2008;

Our consolidated statements of income for the three months ended March 31, 2009 and 2008;

Our consolidated statement of stockholders' equity for the three months ended March 31, 2009; and

Our consolidated statements of cash flows for the three months ended March 31, 2009 and 2008.

In addition, we are contemporaneously filing an amendment to our annual report on Form 10-K for the year ended December 31, 2008, originally filed with the SEC on February 24, 2009, to restate our financial statements for the years ended December 31, 2008, 2007 and 2006. The restatement relates to four businesses that we acquired between 2005 and 2007 (the Acquired Businesses ). Pursuant to the purchase agreements for each of these acquisitions, payments were made by us to the selling shareholders (1) upon closing of the transaction, (2) in some cases, upon the Acquired Businesses achieving specific financial performance targets over a number of years ( earn-outs ), and (3) in one case, upon the buy-out of an obligation to make earn-out payments. These payments are collectively referred to as acquisition-related payments.

The acquisition-related payments made by us to the selling shareholders represented purchase consideration. As such, these payments, to the extent that they exceeded the net of the fair value assigned to assets acquired and liabilities assumed, were properly recorded as goodwill, in accordance with GAAP. Payments made upon the closing of the acquisition were recorded as goodwill on the date of closing. Earn-out payments were recorded as purchase consideration resulting in additional goodwill when the financial performance targets were met by the

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Acquired Businesses. The payment made upon the buy-out of an obligation to make earn-out payments was recorded as goodwill on the date of the buy-out.

It recently came to the attention of the Audit Committee of our Board of Directors that, in connection with one of these acquisitions, the selling shareholders had an agreement among themselves to reallocate a portion of their earn-outs to an employee of the Company who was not a selling shareholder. Following this discovery, the Audit Committee commenced an inquiry into the relevant facts and circumstances of all of our prior acquisitions to determine if similar situations existed. The Audit Committee notified the Company's independent auditors who had not previously been aware of the Shareholder Payments and the Employee Payments (in each case, as defined below).

This inquiry resulted in the discovery that the selling shareholders of the Acquired Businesses made one or both of the following types of payments:

- 1) The selling shareholders redistributed portions of their acquisition-related payments among themselves in amounts that were not consistent with their ownership interests on the date we acquired the business ( Shareholder Payments ). These Shareholder Payments were dependent, in part, on continuing employment with the Company or on the achievement of personal performance measures.

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**Huron Consulting Group Inc.**

2) The selling shareholders redistributed portions of their acquisition-related payments to certain of our employees who were not selling shareholders of the Acquired Businesses ( Employee Payments ). These Employee Payments were dependent on continuing employment with the Company or on the achievement of personal performance measures. The Company employees who received the Employee Payments were client-serving and administrative employees of the respective Acquired Businesses at the date such businesses were acquired by us as well as similar employees hired by or assigned to the respective Acquired Businesses after the date of such acquisitions. This restatement is necessary because we failed to account for the Shareholder Payments and the Employee Payments in accordance with GAAP. The selling shareholders were not prohibited from making the Shareholder Payments or the Employee Payments under the terms of the purchase agreements with the Company for the acquisitions of the Acquired Businesses. However, under GAAP, including guidance promulgated by the SEC, actions of economic interest holders in a company may be imputed to the company itself. The selling shareholders of the Acquired Businesses meet the criteria of economic interest holders of Huron due to their ability to earn additional consideration from Huron. As such, when the selling shareholders redistribute acquisition-related payments among themselves or redistribute a portion of their acquisition-related payments to our employees who were not selling shareholders based on employment or performance-based criteria, these payments are viewed as resulting from services that are assumed to have benefited Huron and must therefore be recorded as non-cash compensation expense incurred by Huron under GAAP. Accordingly, the Employee Payments and the Shareholder Payments are imputed to us. In the case of the Shareholder Payments, such payments are imputed to us even when the amounts that are received by the selling shareholders in the redistribution do not differ significantly from the amounts the selling shareholders would have received if the portion of the acquisition-related payments redistributed based on performance or employment had been distributed solely in accordance with the ownership interests of the applicable selling shareholders on the date we acquired the business. In effect, the Shareholder Payments and the Employee Payments are in substance a second and separate transaction from our acquisition of the Acquired Businesses, which should have been recorded as a separate non-cash accounting entry. Both the Shareholder Payments and the Employee Payments are therefore required to be reflected as non-cash compensation expense of Huron, and the selling shareholders are deemed to have made a capital contribution to Huron. The entries are non-cash because the payments were made directly by the selling shareholders from the acquisition proceeds they received from us. We did not expend additional cash with respect to the compensation charge.

Based on its inquiry into the facts and circumstances underlying the restatement, which is now substantially complete, the Audit Committee determined that the Shareholder Payments and Employee Payments were not properly recorded in our financial statements because senior management did not properly take into account the impact of the selling shareholders' redistribution of the acquisition-related payments when determining the appropriate accounting treatment. In some cases, senior management was unaware of the redistributions. In other cases, senior management was aware of the redistributions but either misunderstood or misapplied the appropriate accounting guidance. As a result, the facts and circumstances surrounding the Shareholder Payments and Employee Payments were not fully described in representation letters previously provided to our independent auditors.

In light of these determinations and given the magnitude of the accounting errors underlying the restatement, our Board of Directors concluded that it was appropriate for the Company to appoint a new Chairman, a new Chief Executive Officer, a new Chief Financial Officer and a new Chief Accounting Officer. Our Board of Directors and Gary Holdren, our then Chief Executive Officer, agreed that he should resign as Chairman of the Board and Chief Executive Officer. George Massaro, who was the then Vice Chairman of the Board of Directors, was elected as our Non-Executive Chairman of the Board of Directors. James Roth, one of the founders of the Company, was named Chief Executive Officer. James Rojas, another founder of the Company, was named Chief Financial Officer, succeeding Gary Burge who will remain as Treasurer and remain with the Company until the end of 2009. Wayne Lipski, previously Chief Accounting Officer, will be leaving the Company.

Based on the results of the Company's inquiry into the acquisition-related payments to date and the agreement amendments described below, we currently anticipate that future earn-outs will only be accounted for as additional purchase consideration and not also as non-cash compensation expense. Effective August 1, 2009, the selling shareholders of two of the Acquired Businesses each amended certain agreements related to the earn-outs to provide that future earn-outs will be



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**Huron Consulting Group Inc.**

distributed only to the applicable selling shareholders and only in accordance with their equity interests on the date we acquired the business with no required continuing employment, and no further Shareholder Payments or Employee Payments will be made. However, there can be no assurance that additional information will not be discovered that will require future acquisition-related payments pertaining to the Acquired Businesses to continue to be accounted for as non-cash compensation expense, which would be material to our results of operations through 2011. The earn-out payments for one of the Acquired Businesses are payable through March 31, 2010, and the earn-out payments for a second Acquired Business are payable through December 31, 2011. There are no additional earn-out obligations related to the other two Acquired Businesses.

On August 4, 2009, we signed an Acknowledgment and Consent Agreement with respect to our \$460 Million Revolving Credit and Term Loan Credit Agreement (the "Credit Agreement"). We requested an advance of \$6.0 million under the revolving credit facility to fund current working capital needs during the interim period while we restate our financial statements. The lenders agreed to this request subject to a reservation of rights under the Credit Agreement. This advance, together with collections on our accounts receivable, provided adequate working capital during the interim period prior to the restatement of our financial statements. We expect to be in full compliance with the financial covenants under the Credit Agreement once the restatement is completed and compliance certificates for the second quarter of 2009 are provided to the lenders. We have been engaging, and expect to continue to engage, in regular discussions with our lenders.

On July 31, 2009, immediately prior to our announcement of our intention to restate our financial statements, the price of our common stock was \$44.35 per share. As of the close of business on August 3, 2009, the business day next following such announcement, the price of our common stock was \$13.69 per share. As a result of the significant decline in the price of our common stock, we expect to engage in an impairment analysis with respect to the carrying value of our goodwill in connection with the preparation of our financial statements for the quarter ended September 30, 2009. If following such analysis we are required to record a non-cash goodwill impairment charge, we may not be in compliance with the financial covenants in the Credit Agreement. In the absence of an amendment or waiver from our lenders, failure to comply with such covenants may result in (1) a default interest rate of 2% being charged in addition to the interest rate as determined under the Credit Agreement on all of our outstanding indebtedness under the Credit Agreement, (2) our not being able to make additional borrowings under the Credit Agreement, which we rely on to fund our operations, and (3) the lenders requiring us to repay our outstanding indebtedness under the Credit Agreement, which totaled \$295 million as of June 30, 2009. There can be no assurance that we will remain in compliance with the financial covenants under the Credit Agreement or, if we are not, that we will obtain the necessary amendments or waivers and, even if we are able to obtain them, such amendments or waivers may subject us to terms materially less favorable to us than those in our current agreement.

The SEC is commencing an investigation with respect to the circumstances that led to the restatement. We intend to cooperate fully with the SEC in its investigation. In addition, the following purported shareholder class action complaints have been filed in connection with our restatement in the United States District Court for the Northern District of Illinois: (1) a complaint in the matter of Jason Hughes v. Huron Consulting Group Inc., Gary E. Holdren and Gary L. Burge, filed on August 4, 2009; (2) a complaint in the matter of Dorothy DeAngelis v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge, Wayne Lipski and PricewaterhouseCoopers LLP, filed on August 5, 2009; (3) a complaint in the matter of Noel M. Parsons v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge, Wayne Lipski and PricewaterhouseCoopers LLP, filed on August 5, 2009; (4) a complaint in the matter of Adam Liebman v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and Wayne Lipski, filed on August 5, 2009; (5) a complaint in the matter of Gerald Tobin v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and PricewaterhouseCoopers LLP, filed on August 7, 2009 and (6) Gary Austin v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and Wayne Lipski, filed on August 7, 2009. The complaints assert claims under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder and contend that the Company and the individual defendants issued false and misleading statements regarding the Company's financial results and compliance with GAAP. We intend to defend vigorously the actions.

Given the uncertain nature of the SEC investigation with respect to the circumstances that led to the restatement and the private shareholder class action lawsuits in respect of the restatement, and the uncertainties related to the incurrence and amount of loss, including with respect to the imposition of fines, penalties, damages, administrative remedies and liabilities for additional amounts, with respect to the SEC investigation and the private lawsuits, we are unable to predict the ultimate outcome of the SEC investigation or the private lawsuits, determine whether a liability has been incurred or make a reasonable estimate of the liability that could result from an unfavorable outcome in the SEC investigation or the private lawsuits. Any such liability could be material.



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As a result of the correction of the non-tax deductible errors related to the accounting for the acquisition-related payments, we recalculated our provision for income taxes for each of the quarterly periods using the annual effective income tax rate method in accordance with Statement of Financial Accounting Standards, or SFAS, No. 109, Accounting for Income Taxes. As such, our interim quarterly provision for income taxes decreased in certain periods and increased in others, with a corresponding change in income tax receivable or payable. However, there is no change to our provision for income taxes or our tax accounts on an annual basis. While the correction of these errors significantly reduced our net income and earnings per share for each of the affected periods, it had no effect on our total assets, total liabilities, or total stockholders' equity on an annual basis. Further, the correction of these errors had no effect on our net cash flows. The table below summarizes the impact of the restatement on our consolidated statements of income for the three months ended March 31, 2009 and 2008 (in thousands, except earnings per share).

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Shareholder Payments	\$ 3,684	\$ 3,681
Employee Payments	78	1,339
<b>Total Non-cash Compensation Expense</b>	<b>\$ 3,762</b>	<b>\$ 5,020</b>
<b>Impact on Consolidated Statement Of Income:</b>		
Increase in Direct Costs	\$ 3,762	\$ 5,020
Increase (Decrease) in Provision for Income Taxes	\$ (587)	\$ 2,144
Decrease in Net Income	\$ (3,175)	\$ (7,164)
Decrease in Basic Earnings Per Share	\$ (0.16)	\$ (0.41)
Decrease in Diluted Earnings Per Share	\$ (0.16)	\$ (0.39)

The tables below present the effects of the restatement on our previously-issued consolidated financial statements as of March 31, 2009 and December 31, 2008 and for the three months ended March 31, 2009 and 2008.



**Table of Contents****HURON CONSULTING GROUP INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

(Tabular amounts in thousands, except per share amounts)

**Consolidated Balance Sheets**

	(Unaudited)			As of December 31, 2008		
	As of March 31, 2009			As Reported	Adjustments	Restated
	As Reported	Adjustments	Restated	As Reported	Adjustments	Restated
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 9,566		\$ 9,566	\$ 14,106		\$ 14,106
Receivables from clients, net	87,496		87,496	88,071		88,071
Unbilled services, net	47,734		47,734	43,111		43,111
Income tax receivable	2,295	587	2,882	3,496		3,496
Deferred income taxes	14,427		14,427	15,708		15,708
Prepaid expenses and other current assets	16,172		16,172	14,563		14,563
<b>Total current assets</b>	<b>177,690</b>	<b>587</b>	<b>178,277</b>	<b>179,055</b>		<b>179,055</b>
Property and equipment, net	43,760		43,760	44,708		44,708
Deferred income taxes	828		828	2,064		2,064
Other non-current assets	14,664		14,664	15,722		15,722
Intangible assets, net	29,317		29,317	32,372		32,372
Goodwill	506,544		506,544	505,676		505,676
<b>Total assets</b>	<b>\$ 772,803</b>	<b>587</b>	<b>\$ 773,390</b>	<b>\$ 779,597</b>		<b>\$ 779,597</b>
<b>Liabilities and stockholders equity</b>						
Current liabilities:						
Accounts payable	\$ 7,547		\$ 7,547	\$ 6,505		\$ 6,505
Accrued expenses	22,627		22,627	27,361		27,361
Accrued payroll and related benefits	29,642		29,642	48,374		48,374
Accrued consideration for business acquisitions	16,132		16,132	60,099		60,099
Income tax payable	1,412		1,412	2,086		2,086
Deferred revenues	20,096		20,096	21,208		21,208
Note payable and current portion of capital lease obligations	416		416	518		518
<b>Total current liabilities</b>	<b>97,872</b>		<b>97,872</b>	<b>166,151</b>		<b>166,151</b>
Non-current liabilities:						
Deferred compensation and other liabilities	6,694		6,694	5,511		5,511
Capital lease obligations, net of current portion	139		139	204		204
Bank borrowings	321,500		321,500	280,000		280,000
Deferred lease incentives	9,076		9,076	8,705		8,705
<b>Total non-current liabilities</b>	<b>337,409</b>		<b>337,409</b>	<b>294,420</b>		<b>294,420</b>
Commitments and contingencies						
<b>Stockholders equity</b>						
	204		204	202		202

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Common stock; \$0.01 par value; 500,000,000 shares  
authorized

Treasury stock, at cost	(28,098)		(28,098)	(21,443)		(21,443)
Additional paid-in capital	227,213	55,783	282,996	211,464	52,021	263,485
Retained earnings	139,003	(55,196)	83,807	128,752	(52,021)	76,731
Accumulated other comprehensive income (loss)	(800)		(800)		51	51
<b>Total stockholders equity</b>	<b>337,522</b>	<b>587</b>	<b>338,109</b>	<b>319,026</b>		<b>319,026</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 772,803</b>	<b>587</b>	<b>\$ 773,390</b>	<b>\$ 779,597</b>		<b>\$ 779,597</b>

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**Table of Contents****HURON CONSULTING GROUP INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

(Tabular amounts in thousands, except per share amounts)

**Consolidated Statements of Income (Unaudited)**

	Three months ended March 31, 2009			Three months ended March 31, 2008		
	As Reported	Adjustments	Restated	As Reported	Adjustments	Restated
<b>Revenues and reimbursable expenses:</b>						
Revenues	\$ 163,009		\$ 163,009	\$ 139,394		\$ 139,394
Reimbursable expenses	14,240		14,240	11,613		11,613
Total revenues and reimbursable expenses	177,249		177,249	151,007		151,007
<b>Direct costs and reimbursable expenses</b> (exclusive of depreciation and amortization shown in operating expenses):						
Direct costs	99,131	3,762	102,893	83,444	5,020	88,464
Intangible assets amortization	1,686		1,686	24		24
Reimbursable expenses	14,300		14,300	11,610		11,610
Total direct costs and reimbursable expenses	115,117	3,762	118,879	95,078	5,020	100,098
<b>Operating expenses:</b>						
Selling, general and administrative	34,531		34,531	30,162		30,162
Depreciation and amortization	5,759		5,759	5,138		5,138
Total operating expenses	40,290		40,290	35,300		35,300
Operating income	21,842	(3,762)	18,080	20,629	(5,020)	15,609
<b>Other income (expense):</b>						
Interest income (expense), net	(2,733)		(2,733)	(1,833)		(1,833)
Other income (expense)	(471)		(471)	(294)		(294)
Total other expense	(3,204)		(3,204)	(2,127)		(2,127)
Income before provision for income taxes	18,638	(3,762)	14,876	18,502	(5,020)	13,482
Provision for income taxes	8,387	(587)	7,800	8,289	2,144	10,433
Net income	\$ 10,251	(3,175)	\$ 7,076	\$ 10,213	(7,164)	\$ 3,049
Earnings per share:						
Basic	\$ 0.52	(0.16)	\$ 0.36	\$ 0.59	(0.41)	\$ 0.18
Diluted	\$ 0.51	(0.16)	\$ 0.35	\$ 0.56	(0.39)	\$ 0.17

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Weighted average shares used in calculating earnings per share:				
Basic	19,528	19,528	17,372	17,372
Diluted	20,252	20,252	18,215	18,215

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**Table of Contents****HURON CONSULTING GROUP INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

(Tabular amounts in thousands, except per share amounts)

**Consolidated Statements of Cash Flows (Unaudited)**

	Three months ended March 31, 2009			Three months ended March 31, 2008		
	As Reported	Adjustments	Restated	As Reported	Adjustments	Restated
<b>Cash flows from operating activities:</b>						
Net income	\$ 10,251	(3,175)	\$ 7,076	\$ 10,213	(7,164)	\$ 3,049
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	7,445		7,445	5,162		5,162
Share-based compensation	6,638		6,638	6,418		6,418
Non-cash compensation		3,762	3,762		5,020	5,020
Allowances for doubtful accounts and unbilled services	(1,261)		(1,261)	651		651
Deferred income taxes	2,931		2,931	(1,487)		(1,487)
Change in operating assets and liabilities, net of businesses acquired:						
Decrease (increase) in receivables from clients	630		630	(2,823)		(2,823)
Increase in unbilled services	(4,564)		(4,564)	(11,752)		(11,752)
Decrease (increase) in income tax receivable/payable, net	538	(587)	(49)	812	2,144	2,956
Increase in other assets	(503)		(503)	(1,094)		(1,094)
Increase in accounts payable and accrued liabilities	532		532	1,815		1,815
Decrease in accrued payroll and related benefits	(18,838)		(18,838)	(36,697)		(36,697)
Increase (decrease) in deferred revenues	(1,747)		(1,747)	332		332
Net cash provided by (used in) operating activities	2,052		2,052	(28,450)		(28,450)
<b>Cash flows from investing activities:</b>						
Purchases of property and equipment, net	(3,598)		(3,598)	(5,530)		(5,530)
Net investment in life insurance policies	(154)		(154)	(878)		(878)
Purchases of businesses, net of cash acquired	(46,203)		(46,203)	(10,153)		(10,153)
Net cash used in investing activities	(49,955)		(49,955)	(16,561)		(16,561)
<b>Cash flows from financing activities:</b>						
Proceeds from exercise of stock options	43		43	136		136
Shares redeemed for employee tax withholdings	(1,548)		(1,548)	(5,491)		(5,491)
Tax benefit from share-based compensation	3,963		3,963	8,018		8,018
Proceeds from borrowings under line of credit	100,500		100,500	101,500		101,500
Repayments on line of credit	(59,000)		(59,000)	(48,000)		(48,000)
Principal payment of notes payable and capital lease obligations	(98)		(98)	(214)		(214)
Net cash provided by financing activities	43,860		43,860	55,949		55,949

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Effect of exchange rate changes on cash	(497)	(497)	346	346
Net increase (decrease) in cash and cash equivalents	(4,540)	(4,540)	11,284	11,284
Cash and cash equivalents at beginning of the period	14,106	14,106	2,993	2,993
Cash and cash equivalents at end of the period	\$ 9,566	\$ 9,566	\$ 14,277	\$ 14,277

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**Huron Consulting Group Inc.**

**4. New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements in financial statements, but standardizes its definition and guidance in GAAP. We adopted SFAS No. 157 effective beginning on January 1, 2008 for financial assets and financial liabilities, which did not have any impact on our financial statements. In February 2008, the FASB issued FASB Staff Position ( FSP ) FAS 157-2, Effective Date of FASB Statement No. 157, which delayed by one year the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted SFAS No. 157 effective beginning on January 1, 2009 for nonfinancial assets and nonfinancial liabilities, which did not have any impact on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, ( SFAS No. 141R ). SFAS No. 141R was issued to improve the relevance, representational faithfulness, and comparability of information in financial statements about a business combination and its effects. This statement retains the purchase method of accounting for business combinations, but requires a number of changes. The changes that may have the most significant impact on us include: contingent consideration, such as earn-outs, will be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings until settled; acquisition-related transaction and restructuring costs will be expensed as incurred; previously-issued financial information will be revised for subsequent adjustments made to finalize the purchase price accounting; reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties will be recognized in earnings, except in certain situations. In April 2009, the FASB issued FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies, which requires an acquirer to recognize at fair value, an asset acquired or a liability assumed in a business combination that arises from a contingency provided the asset or liability's fair value can be determined on the date of acquisition. We adopted SFAS No. 141R on a prospective basis effective beginning on January 1, 2009. For business combinations completed on or subsequent to the adoption date, the application of this statement may have a significant impact on our financial statements, the magnitude of which will depend on the specific terms and conditions of the transactions.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 was issued to improve the relevance, comparability, and transparency of financial information provided in financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. We adopted SFAS No. 160 effective beginning on January 1, 2009. The adoption of this statement did not have any impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133. SFAS No. 161 was issued to improve transparency of financial information provided in financial statements by requiring expanded disclosures about an entity's derivative and hedging activities. This statement requires entities to provide expanded disclosures about: how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133; and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. We adopted SFAS No. 161 effective beginning on January 1, 2009. The adoption of this statement did not have any impact on our financial statements as it contains only disclosure requirements.

**5. Business Combination  
Stockamp & Associates, Inc.**

In July 2008, we acquired Stockamp & Associates, Inc. ( Stockamp ), a management consulting firm specializing in helping high-performing hospitals and health systems optimize their financial and operational performance. With the acquisition of Stockamp, we expanded our presence in the hospital consulting market and are better positioned to serve multiple segments of the healthcare industry, including major health systems, academic medical centers and community hospitals. This acquisition was consummated on July 8, 2008 and the results of operations of Stockamp have been included within our Health and Education Consulting segment since that date.





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**Huron Consulting Group Inc.**

The aggregate purchase price of this acquisition was approximately \$230.9 million, consisting of \$168.5 million in cash paid at closing, \$50.0 million paid through the issuance of 1,100,740 shares of our common stock, \$1.8 million of transaction costs, \$9.6 million of additional purchase price earned by selling shareholders subsequent to the acquisition, as certain performance targets were met, and a \$1.0 million working capital adjustment. Of the 1,100,740 shares of common stock issued, 330,222 shares with an aggregate value of \$15.0 million were deposited into escrow for a period of one year, beginning on July 8, 2008, to secure certain indemnification obligations of Stockamp and its shareholders. Because the shares placed in escrow have been issued conditionally since they may be returned to us in satisfaction of indemnification arrangements, the \$15.0 million is classified as a liability and included in accrued consideration for business acquisitions on our consolidated balance sheet. The cash portion of the purchase price was financed with borrowings under our credit agreement.

The purchase agreement also provides for the following potential payments:

1. With respect to the shares of common stock not placed in escrow, on the date that is six months and one day after the closing date (the Contingent Payment Date), we were to pay Stockamp (in cash, shares of common stock, or any combination of cash and common stock, at our election) the amount, if any, equal to \$35.0 million less the value of the common stock issued on the closing date, based on 95% of the average daily closing price per share of common stock for the ten consecutive trading days prior to the Contingent Payment Date. No payment needed to be made if the common stock so valued equaled or exceeded \$35.0 million on the Contingent Payment Date. We were not required to make further payments upon the lapse of the Contingent Payment Date in January 2009.
2. With respect to the shares of common stock placed in escrow, when the shares are released to Stockamp (the Contingent Escrow Payment Date), we will pay Stockamp (in cash, shares of common stock, or any combination of cash and common stock at our election) the amount, if any, equal to \$15.0 million (or such pro rata portion thereof, to the extent fewer than all shares are being released) less the value of the common stock released from escrow based on 95% of the average daily closing price per share of common stock for the ten consecutive trading days prior to the Contingent Escrow Payment Date. No payment will be made if the common stock so valued equals or exceeds \$15.0 million on the Contingent Escrow Payment Date (or the applicable pro rata portion thereof). Any additional payment resulting from this price protection will not change the purchase consideration. Upon the lapse of the Contingent Escrow Payment Date in July 2009, the escrow liability balance and any price protection payment will be recorded to equity. Based on the average daily closing price of our common stock for the ten consecutive trading days prior to and including March 31, 2009, we would be obligated to make a price protection payment of approximately \$1.8 million to Stockamp.
3. For the period beginning on the closing date and ending on December 31, 2011, additional purchase consideration may be payable to the selling shareholders if specific financial performance targets are met. These payments are not contingent upon the continued employment of the selling shareholders. Such amounts will be recorded as additional purchase consideration and an adjustment to goodwill. Since the closing date of this acquisition, we have paid to the selling shareholders \$9.6 million as additional purchase consideration.

Based on a preliminary valuation that is subject to refinement, the identifiable intangible assets that were acquired totaled approximately \$31.1 million and have an estimated weighted average useful life of 6 years, which consists of customer contracts totaling \$5.4 million (7 months useful life), customer relationships totaling \$10.8 million (12.5 years useful life), software totaling \$7.8 million (4 years useful life), non-competition agreements totaling \$3.7 million (6 years useful life), and a tradename valued at \$3.4 million (2.5 years useful life). Customer relationships represent software support and maintenance relationships that are renewable by the customer on an annual basis. The renewal rate of these relationships has historically been high and as such, we have assigned a relatively long useful life to these customer relationships. Additionally, we recorded approximately \$196.6 million of goodwill, which we intend to deduct for income tax purposes.



**Table of Contents****Huron Consulting Group Inc.****Purchase Price Allocation**

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	<b>(Preliminary)</b>
	<b>Stockamp</b>
	<b>July 8,</b>
	<b>2008</b>
<b>Assets Acquired:</b>	
Current assets	\$ 16,486
Property and equipment	2,176
Non-current assets	547
Intangible assets	31,100
Goodwill	196,562
	246,871
<b>Liabilities Assumed:</b>	
Current liabilities	15,494
Current and non-current capital lease obligations	525
	16,019
<b>Net Assets Acquired</b>	<b>\$ 230,852</b>

**Pro Forma Financial Data**

The following unaudited pro forma financial data for the three months ended March 31, 2008 give effect to the acquisition of Stockamp as if it had been completed at the beginning of the period presented. The actual results from the acquisition of Stockamp have been included within our consolidated financial results since July 8, 2008.

	<b>Three Months</b>
	<b>Ended</b>
	<b>March 31, 2008</b>
	<b>(Restated)</b>
Revenues, net of reimbursable expenses	\$ 172,445
Operating income	\$ 28,132
Income before provision for income taxes	\$ 23,937
Net income	\$ 9,217
<b>Earnings per share:</b>	
Basic	\$ 0.51
Diluted	\$ 0.48

The above unaudited pro forma financial data are not necessarily indicative of the results that would have been achieved if the acquisition had occurred on the date indicated, nor are they necessarily indicative of future results.



**Table of Contents****Huron Consulting Group Inc.****6. Goodwill and Intangible Assets**

The table below sets forth the changes in the carrying amount of goodwill by segment for the three months ended March 31, 2009.

	Health and Education Consulting	Accounting and Financial Consulting	Legal Consulting	Corporate Consulting	Total
Balance as of December 31, 2008	\$ 341,752	\$ 73,341	\$ 17,456	\$ 73,127	\$ 505,676
Additional purchase price subsequently recorded for business combinations	288		601	(21)	868
Balance as of March 31, 2009	\$ 342,040	\$ 73,341	\$ 18,057	\$ 73,106	\$ 506,544

Intangible assets as of March 31, 2009 and December 31, 2008 consisted of the following:

	March 31, 2009		December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer contracts	\$ 5,650	\$ 5,525	\$ 5,650	\$ 4,800
Customer relationships	21,250	9,339	21,250	8,423
Non-competition agreements	12,473	4,121	12,473	3,558
Tradename	3,400	992	3,400	652
Technology and software	8,275	1,754	8,275	1,243
Total	\$ 51,048	\$ 21,731	\$ 51,048	\$ 18,676

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. Customer contracts are amortized on a straight-line basis over relatively short lives due to the short-term nature of the services provided under these contracts. The majority of the customer relationships are amortized on an accelerated basis to correspond to the cash flows expected to be derived from the relationships.

Non-competition agreements, tradenames, and technology and software are amortized on a straight-line basis.

Intangible assets amortization expense was \$3.1 million and \$1.7 million for the three months ended March 31, 2009 and 2008, respectively. Estimated intangible assets amortization expense is \$10.2 million for 2009, \$7.5 million for 2010, \$5.2 million for 2011, \$3.5 million for 2012, \$1.8 million for 2013, and \$1.1 million for 2014. Actual amortization expense could differ from these estimated amounts as a result of the finalization of the Stockamp valuation, future acquisitions and other factors.

See note 3. Restatement of Previously-Issued Financial Statements for a discussion of a potential goodwill impairment in light of the significant decline in the price of our common stock since our July 31, 2009 announcement of our intention to restate our financial statements.

**7. Earnings Per Share**

Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period, excluding unvested restricted common stock and unvested restricted stock units. Diluted earnings per share reflects the potential reduction in earnings per share that could occur if securities or other contracts to issue common stock were exercised or converted

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into common stock under the treasury stock method. Earnings per share under the basic and diluted computations are as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(Restated)</b>	<b>(Restated)</b>
Net income	\$ 7,076	\$ 3,049
Weighted average common shares outstanding basic	19,528	17,372
Weighted average common stock equivalents	724	843
Weighted average common shares outstanding diluted	20,252	18,215
Basic earnings per share	\$ 0.36	\$ 0.18
Diluted earnings per share	\$ 0.35	\$ 0.17

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**Huron Consulting Group Inc.**

There were approximately 708,200 and 217,600 anti-dilutive securities for the three months ended March 31, 2009 and 2008, respectively.

**8. Borrowings**

At March 31, 2009, we had a credit agreement with various financial institutions under which we may borrow up to \$460.0 million, with an accordion feature allowing for an additional amount of up to \$60.0 million to be borrowed upon approval from the lenders. The credit agreement consists of a \$240.0 million revolving credit facility ( Revolver ) and a \$220.0 million term loan facility ( Term Loan ), which was drawn in a single advance of \$220.0 million on July 8, 2008 to fund, in part, our acquisition of Stockamp. The borrowing capacity under the credit agreement is reduced by any outstanding letters of credit and payments under the Term Loan. At March 31, 2009, outstanding letters of credit totaled \$5.7 million and are used as security deposits for our office facilities. As of March 31, 2009, the borrowing capacity under the credit agreement was \$116.3 million.

The Revolver and Term Loan are secured by a pledge of 100% of the voting stock or other equity interests in our domestic subsidiaries and 65% of the voting stock or other equity interests in our foreign subsidiaries. Fees and interest on borrowings vary based on our total debt to earnings before interest, taxes, depreciation and amortization ( EBITDA ) ratio as set forth in the credit agreement. Interest is based on a spread, ranging from 1.50% to 2.50%, over the London Interbank Offered Rate ( LIBOR ) or a spread, ranging from 0.50% to 1.50%, over the base rate (which is the greater of the Federal Funds Rate plus 0.50% or the Prime Rate), as selected by us. The Term Loan is subject to amortization of principal in fifteen consecutive quarterly installments that began on September 30, 2008, with the first fourteen installments being \$5.5 million each. The fifteenth and final installment will be the amount of the remaining outstanding principal balance of the Term Loan and will be payable on February 23, 2012, but can be repaid earlier. All outstanding borrowings under the Revolver will be due upon expiration of the credit agreement on February 23, 2012. The credit agreement includes quarterly financial covenants that require us to maintain certain fixed coverage and total debt to EBITDA ratios. Under the credit agreement, dividends are restricted to an amount up to \$10.0 million per fiscal year plus 50% of consolidated net income (adjusted for non-cash share-based compensation expense) for such fiscal year, plus 50% of net cash proceeds during such fiscal year with respect to any issuance of capital securities. In addition, certain acquisitions and similar transactions will need to be approved by the lenders.

Borrowings outstanding under this credit facility at March 31, 2009 totaled \$321.5 million and carried a weighted-average interest rate of 3.0%, all of which are classified as long-term on our consolidated balance sheet as the principal under the Revolver is not due until 2012 and we intend to fund scheduled quarterly payments under the Term Loan with availability under the Revolver. Borrowings outstanding at December 31, 2008 were \$280.0 million and carried a weighted-average interest rate of 3.1%. At both March 31, 2009 and December 31, 2008, we were in compliance with our financial debt covenants.

See note 3. Restatement of Previously-Issued Financial Statements for a discussion of certain matters related to the Credit Agreement and our borrowings thereunder in light of the restatement.

**Table of Contents****Huron Consulting Group Inc.****9. Derivative Instrument and Hedging Activity**

On March 20, 2009, we entered into an interest rate swap agreement for a notional amount of \$100.0 million effective on March 31, 2009 and ending on February 23, 2012. We entered into this derivative instrument to hedge against the risk of changes in future cash flows related to changes in interest rates on \$100.0 million of the total variable-rate borrowings outstanding described above in note 8. Borrowings. Under the terms of the interest rate swap agreement, we will receive from the counterparty interest on the \$100.0 million notional amount based on one-month LIBOR and we will pay to the counterparty a fixed rate of 1.715%. This swap effectively converted \$100.0 million of our variable-rate borrowings to fixed-rate borrowings beginning on March 31, 2009 and through February 23, 2012.

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ( SFAS No. 133 ), requires companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. In accordance with SFAS No. 133, we have designated this derivative instrument as a cash flow hedge. As such, changes in the fair value of the derivative instrument are recorded as a component of other comprehensive income ( OCI ) to the extent of effectiveness. The ineffective portion of the change in fair value of the derivative instrument is recognized in interest expense.

The table below sets forth additional information relating to this interest rate swap designated as a hedging instrument as of March 31, 2009.

Balance Sheet Location	Fair Value (Derivative Liability)	Amount of Loss Recognized in OCI
Deferred compensation and other liabilities	\$ 867	\$ 867

We do not use derivative instruments for trading or other speculative purposes and we did not have any other derivative instruments or hedging activities as of March 31, 2009.

**10. Fair Value of Financial Instruments**

Certain of our assets and liabilities are measured at fair value. SFAS No. 157 defines fair value as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value and requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy consists of three levels based on the objectivity of the inputs as follows:

- Level 1 Inputs Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs Unobservable inputs for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability.

The table below sets forth our fair value hierarchy for our derivative liability measured at fair value as of March 31, 2009.





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	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Liability:</b>				
Interest rate swap	\$	\$ 867	\$	\$ 867
The fair value of the interest rate swap was derived using estimates to settle the interest rate swap agreement, which is based on the net present value of expected future cash flows on each leg of the swap utilizing market-based inputs and discount rates reflecting the risks involved.				

**11. Comprehensive Income**

The table below sets forth the components of comprehensive income for the three months ended March 31, 2009 and 2008.

	Three Months Ended March 31, 2009			Three Months Ended March 31, 2008		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes (Restated)	Before Taxes	Tax (Expense) Benefit	Net of Taxes (Restated)
Net income			\$ 7,076			\$ 3,049
Other comprehensive income (loss):						
Foreign currency translation adjustment	\$ (252)	\$ (84)	(336)	\$ 346	\$	346
Unrealized loss on cash flow hedging instrument	(867)	352	(515)			
Comprehensive income (loss)	\$ (1,119)	\$ 268	\$ 6,225	\$ 346	\$	\$ 3,395

**12. Commitments and Contingencies****Litigation**

On July 3, 2007, The Official Committee (the Committee) of Unsecured Creditors of Saint Vincents Catholic Medical Centers of New York d/b/a Saint Vincent Catholic Medical Centers ( St. Vincents ), et al. filed suit against Huron Consulting Group Inc., certain of our subsidiaries, including Speltz & Weis LLC, and two of our former managing directors, David E. Speltz ( Speltz ) and Timothy C. Weis ( Weis ), in the Supreme Court of the State of New York, County of New York. On November 26, 2007, Gray & Associates, LLC ( Gray ), in its capacity as trustee on behalf of the SVCMC Litigation Trust, was substituted as plaintiff in the place of the Committee and on February 19, 2008, Gray filed an amended complaint in the action. Beginning in 2004, St. Vincents retained Speltz & Weis LLC to provide management services to St. Vincents, and its two principals, Speltz and Weis, were made the interim chief executive officer and chief financial officer, respectively, of St. Vincents. In May of 2005, we acquired Speltz & Weis LLC. On July 5, 2005, St. Vincents filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York ( Bankruptcy Court ). On December 14, 2005, the Bankruptcy Court approved the retention of Speltz & Weis LLC and us in various capacities, including interim management, revenue cycle management and strategic sourcing services. The amended complaint filed by Gray alleges, among other things, breach of fiduciary duties, breach of the New York Not-For-Profit Corporation Law, malpractice, breach of contract, tortious interference with contract, aiding and abetting breaches of fiduciary duties, certain fraudulent



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### **Huron Consulting Group Inc.**

transfers and fraudulent conveyances, breach of the implied duty of good faith and fair dealing, fraud, aiding and abetting fraud, negligent misrepresentation, and civil conspiracy, and seeks at least \$200 million in damages, disgorgement of fees, return of funds or other property transferred to Speltz & Weis LLC, attorneys' fees, and unspecified punitive and other damages. We believe that the claims are without merit and intend to vigorously defend ourselves in this matter. The suit is in the pre-trial stage and no trial date has been set.

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the filing date of this quarterly report on Form 10-Q, we are not a party to or threatened with any other litigation or legal proceeding that, in the opinion of management, could have a material adverse effect on our financial position or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expected results.

See note 3. Restatement of Previously-Issued Financial Statements for a discussion of the SEC investigation initiated, and the purported shareholder class action complaints filed, in connection with the restatement.

### **Guarantees**

Guarantees in the form of letters of credit totaling \$5.7 million were outstanding at both March 31, 2009 and December 31, 2008 to support certain office lease obligations.

In connection with certain business acquisitions, we are required to pay additional purchase consideration to the sellers if specific performance targets and conditions are met over a number of years as specified in the related purchase agreements. These amounts are calculated and payable at the end of each year based on full year financial results. There is no limitation to the maximum amount of additional purchase consideration and future amounts are not determinable at this time, but the aggregate amount that potentially may be paid could be significant. Additional purchase consideration earned by certain sellers totaled \$46.2 million for the year ended December 31, 2008.

To the extent permitted by law, our by-laws and articles of incorporation require that we indemnify our officers and directors against judgments, fines and amounts paid in settlement, including attorneys' fees, incurred in connection with civil or criminal action or proceedings, as it relates to their services to us if such person acted in good faith. Although there is no limit on the amount of indemnification, we may have recourse against our insurance carrier for certain payments made.

### **13. Segment Information**

Segments are defined by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, as components of a company in which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker manages the business under four operating segments: Health and Education Consulting, Accounting and Financial Consulting, Legal Consulting, and Corporate Consulting.

**Health and Education Consulting.** This segment provides consulting services to hospitals, health systems, physicians, managed care organizations, academic medical centers, colleges, universities, and pharmaceutical and medical device manufacturers. This segment's professionals develop and implement solutions to help clients address financial management, strategy, operational and organizational effectiveness, research administration, and regulatory compliance. This segment also provides consulting services related to hospital or healthcare organization performance improvement, revenue cycle improvement, turnarounds, merger or affiliation strategies, labor productivity, non-labor cost management, information technology, patient flow improvement, physician practice management, interim management, clinical quality and medical management, and governance and board development.

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**Accounting and Financial Consulting.** This segment assists corporations with complex accounting and financial reporting matters, financial analysis in business disputes, international arbitration and litigation, as well as valuation analysis related to business acquisitions. This segment also consults with management in the areas of internal audit and corporate tax. Additionally, the Accounting and Financial Consulting segment provides experienced project leadership and consultants with a variety of financial and accounting credentials

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**Huron Consulting Group Inc.**

and prior corporate experience on an as-needed basis to assist clients with finance and accounting projects. This segment is comprised of certified public accountants, economists, certified fraud examiners, chartered financial analysts and valuation experts who serve attorneys and corporations as expert witnesses and consultants in connection with business disputes, as well as in regulatory or internal investigations.

**Legal Consulting.** This segment provides guidance and business services to corporate law departments and government agencies by helping to reduce legal spending, enhance client service delivery and increase operational effectiveness. These services include digital evidence and discovery services, document review, law firm management services, records management, and strategic and operational improvements.

**Corporate Consulting.** This segment leads clients through various stages of transformation that result in measurable and sustainable performance improvement. This segment works with clients to solve complex business problems and implements strategies and solutions to effectively address and manage stagnant or declining stock price, acquisitions and divestitures, process inefficiency, third party contracting difficulties, lack of or misaligned performance measurements, margin and cost pressures, performance issues, bank defaults, covenant violations, and liquidity issues. This segment also provides restructuring and turnaround consulting assistance to financially distressed companies, creditor constituencies, and other stakeholders in connection with out-of-court restructurings and bankruptcy proceedings.

Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue and selling, general and administrative costs that are incurred directly by the segment. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment. These administrative function costs include costs for corporate office support, certain office facility costs, costs relating to accounting and finance, human resources, legal, marketing, information technology and company-wide business development functions, as well as costs related to overall corporate management.

The table below sets forth information about our operating segments for the three months ended March 31, 2009 and 2008, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements.

**Table of Contents****Huron Consulting Group Inc.**

	<b>Three Months Ended March 31,</b>	
	<b>2009 (Restated)</b>	<b>2008 (Restated)</b>
<b>Health and Education Consulting:</b>		
Revenues	\$ 93,557	\$ 51,088
Operating income	\$ 34,495	\$ 19,345
Segment operating income as a percent of segment revenues	36.9%	37.9%
<b>Accounting and Financial Consulting:</b>		
Revenues	\$ 24,440	\$ 38,811
Operating income	\$ 1,716	\$ 8,362
Segment operating income as a percent of segment revenues	7.0%	21.5%
<b>Legal Consulting:</b>		
Revenues	\$ 22,868	\$ 25,223
Operating income	\$ 3,241	\$ 6,587
Segment operating income as a percent of segment revenues	14.2%	26.1%
<b>Corporate Consulting:</b>		
Revenues	\$ 22,144	\$ 24,272
Operating income	\$ 7,859	\$ 8,371
Segment operating income as a percent of segment revenues	35.5%	34.5%
<b>Total Company:</b>		
Revenues	\$ 163,009	\$ 139,394
Reimbursable expenses	14,240	11,613
Total revenues and reimbursable expenses	\$ 177,249	\$ 151,007
<b>Statement of operations reconciliation:</b>		
Segment operating income	\$ 47,311	\$ 42,665
Charges not allocated at the segment level:		
Other selling, general and administrative expenses	23,472	21,918
Depreciation and amortization expense	5,759	5,138
Other expense, net	3,204	2,127
Income before provision for income taxes	\$ 14,876	\$ 13,482

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

In this Quarterly Report on Form 10-Q/A, unless the context otherwise requires, the terms Huron, Company, we, us and our refer to Huron Consulting Group Inc. and its subsidiaries.

Statements in this Amendment, including the information incorporated by reference herein, that are not historical in nature, including those concerning the Company's current expectations about its future results, are forward-looking statements as defined in Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by words such as may, should, expects, plans, anticipates, assumes, can, considers, could, intends, might, predicts, seeks, would, believes, Risks, uncertainties and assumptions that could impact the Company's forward-looking statements relate, among other things, to (i) the restatement, (ii) the SEC investigation and related Company inquiries with respect to the circumstances that led to the restatement, (iii) the SEC and related Company inquiries into the allocation of chargeable hours, (iv) the Company's projected accounting treatment for acquisition-related payments after August 1, 2009, and (v) management's assessment of the Company's internal control over financial reporting and any required remediation. In addition, these forward-looking statements reflect our current expectation about our future results, levels of activity, performance, or achievements, including without limitation, that our business continues to grow at the current expectations with respect to, among other factors, utilization rates, billing rates, and the number of revenue-generating professionals; that we are able to expand our service offerings; that we successfully integrate the businesses we acquire; and that existing market conditions, including those in the credit markets, do not continue to deteriorate substantially. These statements involve known and unknown risks, uncertainties and other factors, including among others, those described under Part II Item 1A. Risk Factors, that may cause actual results, levels of activity, performance or achievements to be materially different from any anticipated results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. See Risk Factors in our 2008 Annual Report on Form 10-K/A for a complete description of the material risks we face. Forward-looking statements reflect the Company's expectations, estimates, projections and assumptions as of the date of the Original Filing (other than with respect to the restatement and the inquiry by the Company and the SEC into the allocation of chargeable hours), and such forward-looking statements should be read in their historical context and in conjunction with the Company's filings with the SEC subsequent to the date of the Original Filing, including any amendments to these filings.

**OVERVIEW**

**Our Business**

Huron is a leading provider of operational and financial consulting services. We help clients in diverse industries improve performance, comply with complex regulations, resolve disputes, recover from distress, leverage technology, and stimulate growth. We team with our clients to deliver sustainable and measurable results. Many of our highly experienced professionals have master's degrees in business or healthcare administration, doctorates in economics, are certified public accountants, or are accredited valuation specialists and forensic accountants. Our professionals employ their expertise in healthcare administration, accounting, finance, economics and operations to provide our clients with specialized analyses and customized advice and solutions that are tailored to address each client's particular challenges and opportunities. We provide consulting services to a wide variety of both financially sound and distressed organizations, including leading academic institutions, healthcare organizations, Fortune 500 companies, medium-sized businesses, and the law firms that represent these various organizations.

We provide our services and manage our business under four operating segments: Health and Education Consulting, Accounting and Financial Consulting, Legal Consulting, and Corporate Consulting.

**Health and Education Consulting.** Our Health and Education Consulting segment provides consulting services to hospitals, health systems, physicians, managed care organizations, academic medical centers, colleges, universities, and pharmaceutical and medical device manufacturers. This segment's professionals develop and implement solutions to help clients address financial management, strategy, operational and organizational effectiveness, research administration, and regulatory compliance. This segment also provides consulting services related to hospital or healthcare organization performance improvement, revenue cycle





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### **Huron Consulting Group Inc.**

improvement, turnarounds, merger of affiliation strategies, labor productivity, non-labor cost management, information technology, patient flow improvement, physician practice management, interim management, clinical quality and medical management, and governance and board development.

**Accounting and Financial Consulting.** Our Accounting and Financial Consulting segment assists corporations with complex accounting and financial reporting matters, financial analysis in business disputes, international arbitration and litigation, as well as valuation analysis related to business acquisitions. This segment also consults with clients in the areas of internal audit and corporate tax. Additionally, the Accounting and Financial Consulting segment provides experienced project leadership and consultants with a variety of financial and accounting credentials and prior corporate experience on an as-needed to assist clients with finance and accounting projects. This segment is comprised of certified public accountants, economists, certified fraud examiners, chartered financial analysts and valuation experts who serve attorneys and corporations as expert witnesses and consultants in connection with business disputes, as well as in regulatory or internal investigations.

**Legal Consulting.** Our Legal Consulting segment provides guidance and business services to address the challenges that confront today's legal organizations. These services add value to corporate law departments and government agencies by helping to reduce legal spending, enhance client service delivery, and increase operational effectiveness. This segment provides measurable results in the areas of digital evidence and discovery services, document review, law firm management services, records management, and strategic and operational improvements. Included in this segment's offerings is V3locity, a per page fixed price e-discovery service providing data and document processing, hosting, review and production.

**Corporate Consulting.** Our Corporate Consulting segment leads clients through various stages of transformation that result in measurable and sustainable performance improvement. This segment works with clients to solve complex business problems and implements strategies and solutions to effectively address and manage stagnant or declining stock price, acquisitions and divestitures, process inefficiency, third party contracting difficulties, lack of or misaligned performance measurements, margin and cost pressures, performance issues, bank defaults, covenant violations, and liquidity issues. This segment also provides restructuring and turnaround consulting assistance to financially distressed companies, creditor constituencies, and other stakeholders in connection with out-of-court restructurings and bankruptcy proceedings.

### **How We Generate Revenues**

A large portion of our revenues is generated by our full-time billable consultants who provide consulting services to our clients and are billed based on the number of hours worked. A smaller portion of our revenues is generated by our other professionals, consisting of finance and accounting consultants, specialized operational consultants, and contract reviewers, all of whom work variable schedules, as needed by our clients. Other professionals also include our document review and electronic data discovery groups, as well as full-time employees who provide software support and maintenance services to our clients. Our document review and electronic data discovery groups generate revenues primarily based on number of hours worked and units produced, such as pages reviewed or amount of data processed. We translate the hours that these other professionals work on client engagements into a full-time equivalent measure that we use to manage our business. We refer to our full-time billable consultants and other professionals collectively as revenue-generating professionals.

Revenues generated by our full-time billable consultants are primarily driven by the number of consultants we employ and their utilization rates, as well as the billing rates we charge our clients. Revenues generated by our full-time equivalents are largely dependent on the number of consultants we employ, their hours worked and billing rates charged, as well as the number of pages reviewed and amount of data processed in the case of our document review and electronic data discovery groups, respectively.

We generate the majority of our revenues from providing professional services under three types of billing arrangements: time-and-expense, fixed-fee, and performance-based.

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Time-and-expense billing arrangements require the client to pay based on either the number of hours worked, the number of pages reviewed, or the amount of data processed by our revenue-generating professionals at agreed upon rates. We recognize revenues under time-and-expense billing arrangements as the related services are rendered. Time-and-expense engagements represented 47.9% and 71.1% of our revenues in the three months ended March 31, 2009 and 2008, respectively.

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In fixed-fee billing arrangements, we agree to a pre-established fee in exchange for a pre-determined set of professional services. We set the fees based on our estimates of the costs and timing for completing the engagements. It is the client's expectation in these engagements that the pre-established fee will not be exceeded except in mutually agreed upon circumstances. We recognize revenues under fixed-fee billing arrangements using a percentage-of-completion approach, which is based on our estimate of work completed to-date versus the total services to be provided under the engagement. For the three months ended March 31, 2009 and 2008, fixed-fee engagements represented 41.4% and 27.2% of our revenues, respectively. The increase partly resulted from our acquisition of Stockamp & Associates, Inc. in July 2008, which primarily has fixed-fee engagements.

In performance-based fee billing arrangements, fees are tied to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, we have performance-based engagements in which we earn a success fee when and if certain pre-defined outcomes occur. Second, we generally earn fees that are directly related to the savings formally acknowledged by the client as a result of adopting our recommendations for improving cost effectiveness in the procurement area. Often this type of success fee supplements time-and-expense or fixed-fee engagements. We do not recognize revenues under performance-based billing arrangements until all related performance criteria are met. Performance-based fee revenues represented 9.3% and 1.7% of our revenues for the three months ended March 31, 2009 and 2008, respectively. We recognized a higher level of performance-based revenues during the first quarter of 2009 upon meeting performance criteria associated with several Stockamp engagements. Performance-based fee engagements may cause significant variations in quarterly revenues and operating results due to the timing of achieving the performance-based criteria.

We also generate revenues from licensing our proprietary software to clients and from providing related training and support during the term of the consulting engagement. Revenues from software licenses are recognized ratably over the term of the related consulting services contract. Thereafter, clients pay an annual fee for software support and maintenance. Annual support and maintenance fee revenue is recognized ratably over the support period, which is generally one year. These fees are billed in advance and included in deferred revenues until recognized. For the three months ended March 31, 2009, support and maintenance revenues represented 1.4% of our revenues. We did not have any support and maintenance revenues during the three months ended March 31, 2008.

We also bill our clients for reimbursable expenses such as travel and out-of-pocket costs incurred in connection with engagements. We manage our business on the basis of revenues before reimbursable expenses. We believe this is the most accurate reflection of our services because it eliminates the effect of these reimbursable expenses that we bill to our clients at cost.

Our quarterly results are impacted principally by our full-time billable consultants' utilization rate, the number of business days in each quarter and the number of our revenue-generating professionals who are available to work. Our utilization rate can be negatively affected by increased hiring because there is generally a transition period for new professionals that results in a temporary drop in our utilization rate. Our utilization rate can also be affected by seasonal variations in the demand for our services from our clients. For example, during the third and fourth quarters of the year, vacations taken by our clients can result in the deferral of activity on existing and new engagements, which would negatively affect our utilization rate. The number of business work days is also affected by the number of vacation days taken by our consultants and holidays in each quarter. We typically have fewer business work days available in the fourth quarter of the year, which can impact revenues during that period.

### **Business Strategy, Opportunities and Challenges**

Our primary strategy is to meet the needs of our clients by providing a balanced portfolio of service offerings and capabilities, so that we can adapt quickly and effectively to emerging opportunities in the marketplace. To achieve this, we have entered into select acquisitions of complementary businesses and continue to hire highly qualified professionals.

Time-and-expense engagements do not provide us with a high degree of predictability as to performance in future periods. Unexpected changes in the demand for our services can result in significant variations in utilization and revenues and present a challenge to optimal hiring and staffing. Moreover, our clients typically retain us on an engagement-by-engagement basis, rather than under long-term recurring contracts. The volume of work performed for any particular client can vary widely from period to period.



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To expand our business, we will remain focused on growing our existing relationships and developing new relationships, continue to promote and provide an integrated approach to service delivery, broaden the scope of our existing services, and continue to acquire complementary businesses. Additionally, we intend to enhance our visibility in the marketplace by continuing to build our brand.

**CRITICAL ACCOUNTING POLICIES**

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of financial statements in conformity with GAAP requires management to make assessments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to impact our financial position and operating results. While all decisions regarding accounting policies are important, we believe that there are four accounting policies that could be considered critical. These critical accounting policies relate to revenue recognition, allowances for doubtful accounts and unbilled services, carrying values of goodwill and other intangible assets, and valuation of net deferred tax assets. For a detailed discussion of these critical accounting policies, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies in our Annual Report on Form 10-K/A for the year ended December 31, 2008. There have been no material changes to our critical accounting policies during the first quarter of 2009.

**RESTATEMENT OF PREVIOUSLY-ISSUED FINANCIAL STATEMENTS**

The discussion of our financial condition and results of operations below has been restated to reflect adjustments made to our consolidated financial statements for the three months ended March 31, 2009 and 2008. We are also contemporaneously filing an amendment to our annual report on Form 10-K for the year ended December 31, 2008 to restate our financial statements for the years ended December 31, 2008, 2007 and 2006. The results of operations below should be read in conjunction with Amendment No. 1 on Form 10-K/A.

The restatement relates to four businesses that we acquired between 2005 and 2007 (the Acquired Businesses). Pursuant to the purchase agreements for each of these acquisitions, payments were made by us to the selling shareholders (1) upon closing of the transaction, (2) in some cases, upon the Acquired Businesses achieving specific financial performance targets over a number of years (earn-outs), and (3) in one case, upon the buy-out of an obligation to make earn-out payments. These payments are collectively referred to as acquisition-related payments.

The acquisition-related payments made by us to the selling shareholders represented purchase consideration. As such, these payments, to the extent that they exceeded the net of the fair value assigned to assets acquired and liabilities assumed, were properly recorded as goodwill, in accordance with GAAP. Payments made upon the closing of the acquisition were recorded as goodwill on the date of closing. Earn-out payments were recorded as purchase consideration resulting in additional goodwill when the financial performance targets were met by the Acquired Businesses. The payment made upon the buy-out of an obligation to make earn-out payments was recorded as goodwill on the date of the buy-out.

It recently came to the attention of the Audit Committee of our Board of Directors that, in connection with one of these acquisitions, the selling shareholders had an agreement among themselves to reallocate a portion of their earn-outs to an employee of the Company who was not a selling shareholder. Following this discovery, the Audit Committee commenced an inquiry into the relevant facts and circumstances of all of our prior acquisitions to determine if similar situations existed. The Audit Committee notified the Company's independent auditors who had not previously been aware of the Shareholder Payments and the Employee Payments (in each case, as defined below).

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This inquiry resulted in the discovery that the selling shareholders of the Acquired Businesses made one or both of the following types of payments:

- 1) The selling shareholders redistributed portions of their acquisition-related payments among themselves in amounts that were not consistent with their ownership interests on the date we acquired the business ( Shareholder Payments ). These Shareholder Payments were dependent, in part, on continuing employment with the Company or on the achievement of personal performance measures.
- 2) The selling shareholders redistributed portions of their acquisition-related payments to certain of our employees who were not selling shareholders of the Acquired Businesses ( Employee Payments ). These Employee Payments were dependent on continuing employment with the Company or on the achievement of personal performance measures. The Company employees who received the Employee Payments were client-serving and administrative employees of the respective Acquired Businesses at the date such businesses were acquired by the Company as well as similar employees hired by or assigned to the respective Acquired Businesses after the date of such acquisitions.

This restatement is necessary because we failed to account for the Shareholder Payments and the Employee Payments in accordance with GAAP. The selling shareholders were not prohibited from making the Shareholder Payments or the Employee Payments under the terms of the purchase agreements with the Company for the acquisitions of the Acquired Businesses. However, under GAAP, including guidance promulgated by the SEC, actions of economic interest holders in a company may be imputed to the company itself. The selling shareholders of the Acquired Businesses meet the criteria of economic interest holders of Huron due to their ability to earn additional consideration from Huron. As such, when the selling shareholders redistribute acquisition-related payments among themselves or redistribute a portion of their acquisition-related payments to our employees who were not selling shareholders based on employment or performance-based criteria, these payments are viewed as resulting from services that are assumed to have benefited Huron and must therefore be recorded as non-cash compensation expense incurred by Huron under GAAP. Accordingly, the Employee Payments and the Shareholder Payments are imputed to us. In the case of the Shareholder Payments, such payments are imputed to us even when the amounts that are received by the selling shareholders in the redistribution do not differ significantly from the amounts the selling shareholders would have received if the portion of the acquisition-related payments redistributed based on performance or employment had been distributed solely in accordance with the ownership interests of the applicable selling shareholders on the date we acquired the business. In effect, the Shareholder Payments and the Employee Payments are in substance a second and separate transaction from our acquisition of the Acquired Businesses, which should have been recorded as a separate non-cash accounting entry. Both the Shareholder Payments and the Employee Payments are therefore required to be reflected as non-cash compensation expense of Huron, and the selling shareholders are deemed to have made a capital contribution to Huron. The entries are non-cash because the payments were made directly by the selling shareholders from the acquisition proceeds they received from us. We did not expend additional cash with respect to the compensation charge.

Based on its inquiry into the facts and circumstances underlying the restatement, which is now substantially complete, the Audit Committee determined that the Shareholder Payments and Employee Payments were not properly recorded in our financial statements because senior management did not properly take into account the impact of the selling shareholders' redistribution of the acquisition-related payments when determining the appropriate accounting treatment. In some cases, senior management was unaware of the redistributions. In other cases, senior management was aware of the redistributions but either misunderstood or misapplied the appropriate accounting guidance. As a result, the facts and circumstances surrounding the Shareholder Payments and Employee Payments were not fully described in representation letters previously provided to our independent auditors.

In light of these determinations and given the magnitude of the accounting errors underlying the restatement, our Board of Directors concluded that it was appropriate for the Company to appoint a new Chairman, a new Chief Executive Officer, a new Chief Financial Officer and a new Chief Accounting Officer. Our Board of Directors and Gary Holdren, our then Chief Executive Officer, agreed that he should resign as Chairman of the Board and Chief Executive Officer. George Massaro, who was the then Vice Chairman of the Board of Directors, was elected as our Non-Executive Chairman of the Board of Directors. James Roth, one of the founders of the Company, was named Chief Executive Officer. James Rojas, another founder of the Company, was named Chief Financial Officer, succeeding Gary Burge who will remain as Treasurer and remain with the Company until the end of 2009. Wayne Lipski, previously Chief Accounting Officer, will be leaving the

Company.

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As discussed above, only a portion of the acquisition-related payments to selling shareholders was redistributed among themselves based on performance or employment while the balance was distributed in accordance with their ownership interests on the date we acquired the business. The total amounts of the acquisition-related payments received by the selling shareholders after the redistribution did not differ significantly from the amounts such selling shareholders would have received if the distribution of such portion of the acquisition-related payments had been made in proportion to their respective ownership interests. Under GAAP, however, we are required to recognize as non-cash compensation expense the entire amount of the acquisition-related payment that was subject to redistribution based on performance or employment and not merely the difference between the amount a selling shareholder received following such redistribution and the amount such selling shareholder would have received if such portion had been distributed in accordance with his ownership interests.

Based on the results of the Company's inquiry into the acquisition-related payments to date and the agreement amendments described below, we currently anticipate that future earn-outs will only be accounted for as additional purchase consideration and not also as non-cash compensation expense. Effective August 1, 2009, the selling shareholders of two of the Acquired Businesses each amended certain agreements related to the earn-outs to provide that future earn-outs will be distributed only to the applicable selling shareholders and only in accordance with their equity interests on the date we acquired the business with no required continuing employment, and no further Shareholder Payments or Employee Payments will be made. We expect to recognize approximately \$4.5 million of additional non-cash compensation expense from April 2009 through July 2009 related to Shareholder Payments and Employee Payments for that period. In addition, we expect to incur a moderate increase in cash compensation expense in future periods related to Shareholder Payments and Employee Payments for such periods, which we currently estimate to be no more than \$4 million in each of 2009, 2010 and 2011. However, there can be no assurance that additional information will not be discovered that will require future acquisition-related payments pertaining to the Acquired Businesses to continue to be accounted for as non-cash compensation expense, which would be material to our results of operations through 2011. The earn-out payments for one of the Acquired Businesses are payable through March 31, 2010, and the earn-out payments for a second Acquired Business are payable through December 31, 2011. There are no additional earn-out obligations related to the other two Acquired Businesses. Additionally, as a result of the impact that our restatement may have on our business, we expect to incur a moderate increase in cash compensation expense to retain our top-performing employees. We also expect an increase in operating expenses, including legal fees, as a result of the Company's inquiries into the acquisition-related payments and the allocation of chargeable hours, the restatement, the SEC investigation with respect to the circumstances that led to the restatement, the SEC inquiry into the allocation of chargeable hours and the private shareholder class action lawsuits in respect of the restatement.

As a result of the correction of these non-tax deductible errors, we recalculated our provision for income taxes for each of the quarterly periods using the annual effective income tax rate method in accordance with Statement of Financial Accounting Standards, or SFAS, No. 109,

Accounting for Income Taxes. As such, our interim quarterly provision for income taxes decreased in certain periods and increased in others, with a corresponding change in income tax receivable or payable. However, there is no change to our provision for income taxes or our tax accounts on an annual basis. While the correction of these errors significantly reduced our net income and earnings per share for each of the affected periods, it had no effect on our total assets, total liabilities, or total stockholders' equity on an annual basis. Further, the correction of these errors had no effect on our net cash flows. The tables below summarize the impact of the restatement on our consolidated statements of income for the three months ended March 31, 2009 and 2008 (in thousands, except earnings per share). The effects of the restatement, including the tax adjustments, are further presented in note 3. Restatement of Previously-Issued Financial Statements in the notes to consolidated financial statements under Part I - Item 1. Consolidated Financial Statements.

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(Unaudited)	Three Months Ended	
	March 31,	
	2009	2008
Shareholder Payments	\$ 3,684	\$ 3,681
Employee Payments	78	1,339
Total Non-cash Compensation Expense	\$ 3,762	\$ 5,020
Impact on Consolidated Statement Of Income:		
Increase in Direct Costs	\$ 3,762	\$ 5,020
Increase (Decrease) in Provision for Income Taxes	\$ (587)	\$ 2,144
Decrease in Net Income	\$ (3,175)	\$ (7,164)
Decrease in Basic Earnings Per Share	\$ (0.16)	\$ (0.41)
Decrease in Diluted Earnings Per Share	\$ (0.16)	\$ (0.39)

On August 4, 2009, we signed an Acknowledgment and Consent Agreement with respect to the Credit Agreement. We requested an advance of \$6.0 million under the revolving credit facility to fund current working capital needs during the interim period while we restate our financial statements. The lenders agreed to this request subject to a reservation of rights under the Credit Agreement. This advance, together with collections on our accounts receivable, provided adequate working capital during the interim period prior to the restatement of our financial statements. We expect to be in full compliance with the financial covenants under the Credit Agreement once the restatement is completed and compliance certificates for the second quarter of 2009 are provided to the lenders. We have been engaging, and expect to continue to engage, in regular discussions with our lenders.

On July 31, 2009, immediately prior to our announcement of our intention to restate our financial statements, the price of our common stock was \$44.35 per share. As of the close of business on August 3, 2009, the business day next following such announcement, the price of our common stock was \$13.69 per share. As a result of the significant decline in the price of our common stock, we expect to engage in an impairment analysis with respect to the carrying value of our goodwill in connection with the preparation of our financial statements for the quarter ended September 30, 2009. If following such analysis we are required to record a non-cash goodwill impairment charge, we may not be in compliance with the financial covenants in the Credit Agreement. In the absence of an amendment or waiver from our lenders, failure to comply with such covenants may result in (1) a default interest rate of 2% being charged in addition to the interest rate as determined under the Credit Agreement on all of our outstanding indebtedness under the Credit Agreement, (2) our not being able to make additional borrowings under the Credit Agreement, which we rely on to fund our operations, and (3) the lenders requiring us to repay our outstanding indebtedness under the Credit Agreement, which totaled \$295 million as of June 30, 2009. There can be no assurance that we will remain in compliance with the financial covenants under the Credit Agreement or, if we are not, that we will obtain the necessary amendments or waivers and, even if we are able to obtain them, such amendments or waivers may subject us to terms materially less favorable to us than those in our current agreement. Such amended terms could expose us to significant risks related to increased interest rates, may require us to dedicate a larger portion of our cash from operations to service indebtedness and may limit our ability to obtain additional funding under the Credit Agreement. A discussion of the risks and uncertainties relating to the Credit Agreement and our ability to borrow funds under the Credit Agreement is set forth in Part II Item 1A. Risk Factors and under the heading Risk Factors in our 2008 Annual Report on Form 10-K/A.

The SEC is commencing an investigation with respect to the circumstances that led to the restatement. In addition to the SEC investigation, we conducted a separate inquiry, in response to an inquiry from the SEC, into the allocation of chargeable hours. This matter has no impact on billings to our clients, but could impact the timing of when revenue is recognized. Based on our internal inquiry, which is substantially complete, we have concluded that an adjustment to our historical financial statements is not required with respect to this matter. The SEC inquiry with respect to the allocation of chargeable hours is ongoing. We intend to cooperate fully with the SEC in its investigation with respect to the circumstances that led to the restatement and its inquiry into the allocation of chargeable hours. In addition, several purported shareholder class action complaints have been filed in connection with our restatement in the United States District Court for the Northern District of Illinois, which assert claims under Section 10(b) and Section 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder and contend that the Company and the individual defendants issued false and misleading statements regarding the Company's financial results and compliance with GAAP. We intend to defend vigorously the actions. See note 3. Restatement of Previously-Issued Financial Statements in the notes to consolidated financial statements under Part I Item 1. Consolidated Financial Statements and Part II Item 1. Legal Proceedings for a description of these lawsuits.



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Given the uncertain nature of the SEC investigation with respect to the circumstances that led to the restatement, the SEC inquiry into the allocation of chargeable hours and the private shareholder class action lawsuits in respect of the restatement, and the uncertainties related to the incurrence and amount of loss, including with respect to the imposition of fines, penalties, damages, administrative remedies and liabilities for additional amounts, with respect to the SEC investigation, the SEC inquiry and the private lawsuits, we are unable to predict the ultimate outcome of the SEC investigation, the SEC inquiry or the private lawsuits, determine whether a liability has been incurred or make a reasonable estimate of the liability that could result from an unfavorable outcome in the SEC investigation, the SEC inquiry or the private lawsuits. Any such liability could be material. See Part II Item 1A. Risk Factors and Risk Factors in our 2008 Annual Report on Form 10-K/A for a discussion of certain risks and uncertainties relating to the SEC investigation, the SEC inquiry and the private lawsuits and certain other risks and uncertainties that are heightened by the SEC investigation, the SEC inquiry and the private lawsuits.

**RESULTS OF OPERATIONS**

The tables below summarize the impact of the restatement on segment operating income and segment operating margin for the three months ended March 31, 2009 and 2008 (in thousands). The restatement had no impact on segment revenues and consolidated revenues.

Three Months Ended		Health and Education Consulting	Accounting & Financial Consulting	Legal Consulting	Corporate Consulting	Total
<b>March 31, 2009</b>						
Revenues before reimbursable		\$ 93,557	\$ 24,440	\$ 22,868	\$ 22,144	\$ 163,009
Operating income	As reported	\$ 37,129	\$ 2,528	\$ 3,241	\$ 8,175	\$ 51,073
Adjustments <sup>(1)</sup>		(2,634)	(812)		(316)	(3,762)
Operating income	As restated	\$ 34,495	\$ 1,716	\$ 3,241	\$ 7,859	\$ 47,311
Operating margin	As reported	39.7%	10.3%	14.2%	36.9%	
Adjustments <sup>(1)</sup>		(2.8%)	(3.3%)		(1.4%)	
Operating margin	As restated	36.9%	7.0%	14.2%	35.5%	

Three Months Ended		Health and Education Consulting	Accounting & Financial Consulting	Legal Consulting	Corporate Consulting	Total
<b>March 31, 2008</b>						
Revenues before reimbursable		\$ 51,088	\$ 38,811	\$ 25,223	\$ 24,272	\$ 139,394
Operating income	As reported	\$ 22,132	\$ 9,589	\$ 6,587	\$ 9,377	\$ 47,685
Adjustments <sup>(1)</sup>		(2,787)	(1,227)		(1,006)	(5,020)
Operating income	As restated	\$ 19,345	\$ 8,362	\$ 6,587	\$ 8,371	\$ 42,665
Operating margin	As reported	43.3%	24.7%	26.1%	38.6%	
Adjustments <sup>(1)</sup>		(5.4%)	(3.2%)		(4.1%)	
Operating margin	As restated	37.9%	21.5%	26.1%	34.5%	

- (1) Consists of non-cash compensation expense representing Shareholder Payments and Employee Payments described above under Restatement of Previously-Issued Financial Statements.

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The table below sets forth restated selected segment and consolidated operating results for the periods indicated, as well as other operating data, which was not affected by the restatement. Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue and selling, general and administrative costs that are incurred directly by the segment. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(Restated)</b>	<b>(Restated)</b>
<b>Segment and Consolidated Operating Results (in thousands):</b>		
<b>Revenues and reimbursable expenses:</b>		
Health and Education Consulting	\$ 93,557	\$ 51,088
Accounting and Financial Consulting	24,440	38,811
Legal Consulting	22,868	25,223
Corporate Consulting	22,144	24,272
<b>Total revenues</b>	<b>163,009</b>	<b>139,394</b>
Reimbursable expenses	14,240	11,613
<b>Total revenues and reimbursable expenses</b>	<b>\$ 177,249</b>	<b>\$ 151,007</b>
<b>Operating income:</b>		
Health and Education Consulting	\$ 34,495	\$ 19,345
Accounting and Financial Consulting	1,716	8,362
Legal Consulting	3,241	6,587
Corporate Consulting	7,859	8,371
<b>Total segment operating income</b>	<b>47,311</b>	<b>42,665</b>
Operating expenses not allocated to segments	29,231	27,056
<b>Total operating income</b>	<b>\$ 18,080</b>	<b>\$ 15,609</b>

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	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Other Operating Data:</b>		
<b>Number of full-time billable consultants (at period end) <sup>(1)</sup>:</b>		
Health and Education Consulting	912	466
Accounting and Financial Consulting	294	364
Legal Consulting	161	175
Corporate Consulting	167	229
<b>Total</b>	<b>1,534</b>	<b>1,234</b>
<b>Average number of full-time billable consultants (for the period) <sup>(1)</sup>:</b>		
Health and Education Consulting	919	458
Accounting and Financial Consulting	301	370
Legal Consulting	162	178
Corporate Consulting	169	231
<b>Total</b>	<b>1,551</b>	<b>1,237</b>
<b>Full-time billable consultant utilization rate <sup>(2)</sup>:</b>		
Health and Education Consulting	78.1%	78.1%
Accounting and Financial Consulting	50.6%	51.8%
Legal Consulting	53.7%	57.9%
Corporate Consulting	73.8%	65.2%
<b>Total</b>	<b>69.7%</b>	<b>65.0%</b>
<b>Full-time billable consultant average billing rate per hour <sup>(3)</sup>:</b>		
Health and Education Consulting	\$ 245	\$ 269
Accounting and Financial Consulting	\$ 253	\$ 268
Legal Consulting	\$ 233	\$ 234
Corporate Consulting	\$ 362	\$ 329
<b>Total</b>	<b>\$ 259</b>	<b>\$ 276</b>
<b>Revenue per full-time billable consultant (in thousands):</b>		
Health and Education Consulting	\$ 92	\$ 103
Accounting and Financial Consulting	\$ 61	\$ 66
Legal Consulting	\$ 57	\$ 64
Corporate Consulting	\$ 124	\$ 103
<b>Total</b>	<b>\$ 86</b>	<b>\$ 86</b>
<b>Average number of full-time equivalents (for the period) <sup>(4)</sup>:</b>		
Health and Education Consulting	97	38
Accounting and Financial Consulting	104	239
Legal Consulting	503	468
Corporate Consulting	9	8
<b>Total</b>	<b>713</b>	<b>753</b>
<b>Revenue per full-time equivalents (in thousands):</b>		
Health and Education Consulting	\$ 95	\$ 104
Accounting and Financial Consulting	\$ 59	\$ 61
Legal Consulting	\$ 27	\$ 30
Corporate Consulting	\$ 135	\$ 70

Total	\$ 42	\$ 44
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- (1) Consists of our full-time professionals who provide consulting services and generate revenues based on the number of hours worked.
- (2) Utilization rate for our full-time billable consultants is calculated by dividing the number of hours all our full-time billable consultants worked on client assignments during a period by the total available working hours for all of these consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.
- (3) Average billing rate per hour for our full-time billable consultants is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period.



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- (4) Consists of consultants who work variable schedules as needed by our clients, as well as contract reviewers and other professionals who generate revenues primarily based on number of hours worked and units produced, such as pages reviewed and data processed. Also includes full-time employees who provide software support and maintenance services to our clients.

### **Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008**

#### **Revenues**

Revenues increased \$23.6 million, or 16.9%, to \$163.0 million for the first quarter of 2009 from \$139.4 million for the first quarter of 2008. We acquired Stockamp on July 8, 2008 and therefore, revenues for the first quarter of 2009 included revenues generated by Stockamp while revenues for the first quarter of 2008 did not include any revenues from Stockamp.

Of the overall \$23.6 million increase in revenues, \$26.4 million was attributable to our full-time billable consultants, partially offset by a \$2.8 million decrease attributable to our full-time equivalents. The \$26.4 million increase in full-time billable consultant revenues was attributable to an increase in the number of consultants in our Health and Education Consulting segment reflecting our acquisition of Stockamp and internal growth, coupled with an increase in the utilization rate of our consultants. These increases were partially offset by a decline in our average billing rate. The \$2.8 million decrease in full-time equivalent revenues resulted from lower demand for our variable, on-demand consultants in our Accounting and Financial Consulting segment.

#### **Total Direct Costs**

Our direct costs increased \$14.4 million, or 16.3%, to \$102.9 million in the first three months of 2009 from \$88.5 million in the first three months of 2008. Approximately \$11.1 million of the increase was attributable to the increase in the average number of revenue-generating professionals and the promotion of our employees during the year, including 17 to the managing director level effective January 1, 2009, and their related salaries and benefits costs. Additionally, \$3.4 million of the increase in direct costs was attributable to an increased usage of independent contractors, in particular within our Health and Education Consulting segment. Share-based compensation expense associated with our revenue-generating professionals increased \$0.2 million, or 5.0%, to \$4.2 million in the first quarter of 2009 from \$4.0 million in the first quarter of 2008. Additionally, we recorded non-cash compensation expense totaling \$3.8 million and \$5.0 million during the first quarter of 2009 and 2008, respectively, representing Shareholder Payments and Employee Payments as described above under Restatement of Previously-Issued Financial Statements.

Total direct costs for the three months ended March 31, 2009 included \$1.7 million of intangible assets amortization expense, primarily representing customer-related assets and software acquired in connection with the Stockamp acquisition.

#### **Operating Expenses**

Selling, general and administrative expenses increased \$4.3 million, or 14.5%, to \$34.5 million in the first quarter of 2009 from \$30.2 million in the first quarter of 2008. Of the \$4.3 million increase, \$1.5 million was due to higher promotional and marketing spending, \$1.1 million was attributable to an increase in severance costs, \$0.9 million was due to an increase in non-revenue generating professionals and their related compensation and benefits costs, \$0.8 million was attributable to increased facilities costs, and \$0.6 million was due to an increase in charitable contributions. These increases were partially offset by a decrease in company and team meeting costs. Share-based compensation expense associated with our non-revenue-generating professionals remained steady at \$2.4 million in both the first quarters of 2009 and 2008.

Depreciation expense increased \$1.0 million, or 29.4%, to \$4.4 million in the three months ended March 31, 2009 from \$3.4 million in the three months ended March 31, 2008 as computers, network equipment, furniture and fixtures, and leasehold improvements were added to support our increase in employees. Non-direct intangible assets amortization expense decreased \$0.3 million, or 17.6%, to \$1.4 million for the three months ended March 31, 2009 from \$1.7 million for the comparable period last year. Non-direct intangible assets amortization relates to customer relationships, non-competition agreements and tradenames acquired in connection with our acquisitions.



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### **Huron Consulting Group Inc.**

#### **Operating Income**

Operating income increased \$2.5 million, or 15.8%, to \$18.1 million in the first quarter of 2009 from \$15.6 million in the first quarter of 2008. Operating margin, which is defined as operating income expressed as a percentage of revenues, decreased to 11.1% in the three months ended March 31, 2009 from 11.2% in the three months ended March 31, 2008. The decline in operating margin was attributable to higher total compensation cost as a percentage of revenues, coupled with an increase in amortization expense as described above, largely offset by a decrease in non-cash compensation expense. Non-cash compensation expense totaling \$3.8 million in the first quarter of 2009 and \$5.0 million in the first quarter of 2008, representing Shareholder Payments and Employee Payments as described above under Restatement of Previously-Issued Financial Statements, reduced our operating margin by 230 basis points in the first quarter of 2009 and 360 basis points in the first quarter of 2008.

As described above under Restatement of Previously-Issued Financial Statements, no further Shareholder Payments or Employee Payments will be made as a result of amendments to the agreements among the selling shareholders effective August 1, 2009. We expect to recognize approximately \$4.5 million of additional non-cash compensation expense from April 2009 through July 2009 related to Shareholder Payments and Employee Payments for that period. In addition, we expect to incur a moderate increase in cash compensation expense in future periods related to Shareholder Payments and Employee Payments for such periods, which we currently estimate to be no more than \$4 million in each of 2009, 2010 and 2011. However, there can be no assurance that additional information will not be discovered that will require future acquisition-related payments pertaining to the Acquired Businesses to continue to be accounted for as non-cash compensation expense, which would be material to our results of operations through 2011. Additionally, as a result of the impact that our restatement may have on our business, we expect to incur a moderate increase in cash compensation expense to retain our top-performing employees. We also expect an increase in operating expenses, including legal fees, as a result of the Company's inquiries into the acquisition-related payments and the allocation of chargeable hours, the restatement, the SEC investigation with respect to the circumstances that led to the restatement, the SEC inquiry into the allocation of chargeable hours and the private shareholder class action lawsuits in respect of the restatement.

#### **Other Expense**

Other expense increased \$1.1 million, or 50.6%, to \$3.2 million in the first quarter of 2009 from \$2.1 million in the first quarter of 2008. Of the \$1.1 million increase, \$0.9 million was attributable to an increase in interest expense from higher levels of borrowings during the first quarter of 2009, partially offset by a decrease in interest rates. During the three months ended March 31, 2009, the average daily outstanding balance under our credit facility was \$285.7 million and carried a weighted-average interest rate of 3.0% compared to \$148.4 million and 4.8%, respectively, for the comparable period last year. The remaining increase in other expense was primarily due to \$0.2 million in net foreign currency transaction losses.

As further described below under Liquidity and Capital Resources, the fees and interest we pay on outstanding borrowings vary based on our total debt to earnings before interest, taxes, depreciation and amortization ( EBITDA ) ratio as set forth in the Credit Agreement. As a result of our restatement, our historical EBITDA decreased resulting in higher fees and interest expense for certain historical periods totaling \$0.1 million. We will recognize this amount in the second quarter of 2009. Additionally, the fees and interest expense we pay on outstanding borrowings in the future may exceed those paid historically as a result of a decrease in our EBITDA and the impact of a lower EBITDA on the total debt to EBITDA ratio.

#### **Provision for Income Taxes**

Our effective income tax rate decreased to 52.4% for the first quarter of 2009 from 77.4% for the first quarter of 2008. The lower effective income tax rate in 2009 was primarily attributable to lower non-cash compensation expense, which is not tax deductible because the Shareholder Payments and Employee Payments resulting in the non-cash compensation expense were not made by us.

#### **Net Income**

Net income increased \$4.1 million, or 132.1%, to \$7.1 million for the three months ended March 31, 2009 from \$3.0 million for the same period last year, primarily due to lower non-cash compensation expense totaling \$3.8 million in the first quarter of 2009 compared to \$5.0 million in the

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first quarter of 2008, representing Shareholder Payments and Employee Payments as described above under Restatement of Previously-Issued Financial Statements, coupled with a lower effective income tax rate as described above. Diluted earnings per share

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### **Huron Consulting Group Inc.**

for the first quarter of 2009 was \$0.35 compared to \$0.17 for the first quarter of 2008. The increase in earnings per share was attributable to lower non-cash compensation expense, partially offset by the dilutive impact of the shares issued in connection with prior business acquisitions. Non-cash compensation expense reduced diluted earnings per share by \$0.19 and \$0.27 in the first quarter of 2009 and 2008, respectively.

### **Segment Results**

#### **Health and Education Consulting**

##### **Revenues**

Health and Education Consulting segment revenues increased \$42.5 million, or 83.1%, to \$93.6 million for the first quarter of 2009 from \$51.1 million for the first quarter of 2008. Revenues for the first quarter of 2009 included revenues from our acquisition of Stockamp while revenues for the first quarter of 2008 did not include any revenues from Stockamp. Revenues from time-and-expense engagements, fixed-fee engagements, performance-based engagements and software support and maintenance arrangements represented 27.1%, 54.3%, 16.2% and 2.4% of this segment's revenues during the first three months of 2009, respectively, compared to 55.0%, 44.5%, 0.5% and 0%, respectively, for the comparable period in 2008.

Of the overall \$42.5 million increase in revenues, \$37.3 million was attributable to our full-time billable consultants and \$5.2 million was attributable to our full-time equivalents. The \$37.3 million increase in full-time billable consultant revenues reflected an increase in the number of consultants, partially offset by a decrease in the average billing rate per hour for this segment.

##### **Operating Income**

Health and Education Consulting segment operating income increased \$15.2 million, or 78.3%, to \$34.5 million in the three months ended March 31, 2009 from \$19.3 million in the three months ended March 31, 2008. The Health and Education Consulting segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, decreased to 36.9% for the first quarter of 2009 from 37.9% in the same period last year. The decline in this segment's operating margin was attributable to higher total compensation cost and amortization expense as a percentage of revenues, as well as severance charges totaling \$0.7 million in the first quarter of 2009, partially offset by lower non-cash compensation expense. Non-cash compensation expense, representing Shareholder Payments and Employee Payments as described above under Restatement of Previously-Issued Financial Statements, for the Health and Education Consulting segment totaled \$2.6 million and \$2.8 million in the first quarter of 2009 and 2008, respectively, and reduced this segment's operating margin by 280 basis points and 540 basis points in the first quarter of 2009 and 2008, respectively.

#### **Accounting and Financial Consulting**

##### **Revenues**

Accounting and Financial Consulting segment revenues decreased \$14.4 million, or 37.0%, to \$24.4 million for the first quarter of 2009 from \$38.8 million for the first quarter of 2008. Revenues from time-and-expense engagements, fixed-fee engagements and performance-based engagements represented 91.0%, 8.7% and 0.3% of this segment's revenues during the first quarter of 2009, respectively. For the first quarter of 2008, most of this segment's revenues were from time-and-expense engagements.

Of the overall \$14.4 million decrease in revenues, \$6.0 million was attributable to our full-time billable consultants and \$8.4 million was attributable to our full-time equivalents. The \$6.0 million decrease in full-time billable consultant revenues was primarily due to a decrease in demand for our consulting services and a decrease in the average billing rate per hour for this segment. The \$8.4 million decrease in full-time equivalent revenues resulted from a decline in demand for our variable, on-demand consultants.

##### **Operating Income**

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Accounting and Financial Consulting segment operating income decreased \$6.7 million, or 79.5%, to \$1.7 million in the three months ended March 31, 2009 from \$8.4 million in the three months ended March 31, 2008. Segment operating margin decreased to 7.0% for the first quarter of 2009 from 21.5% in the same period last year. The decrease in this segment's operating margin was attributable to higher total compensation cost as a percentage of

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revenues, as well as severance charges totaling \$0.7 million in the first quarter of 2009. Non-cash compensation expense, representing Shareholder Payments and Employee Payments as described above under Restatement of Previously-Issued Financial Statements, for the Accounting and Financial Consulting segment totaled \$0.8 million and \$1.2 million in the first quarter of 2009 and 2008, respectively, and reduced this segment's operating margin by 330 basis points and 320 basis points in the first quarter of 2009 and 2008, respectively.

### **Legal Consulting**

#### **Revenues**

Legal Consulting segment revenues decreased \$2.3 million, or 9.3%, to \$22.9 million for the first quarter of 2009 from \$25.2 million for the first quarter of 2008. Revenues from time-and-expense engagements, fixed-fee engagements and performance-based engagements represented 87.7%, 12.3% and 0% of this segment's revenues during the first three months of 2009, respectively, compared to 86.6%, 10.1% and 3.3%, respectively, for the comparable period in 2008.

The \$2.3 million decrease in revenues was primarily attributable to our full-time billable consultant revenues, reflecting a decline in this segment's utilization rate.

#### **Operating Income**

Legal Consulting segment operating income decreased \$3.4 million, or 50.8%, to \$3.2 million in the three months ended March 31, 2009 from \$6.6 million in the three months ended March 31, 2008. Segment operating margin decreased to 14.2% for the first quarter of 2009 from 26.1% in the same period last year. The decrease in this segment's operating margin was attributable to higher total compensation cost as a percentage of revenues, reflecting the lower utilization rate as described above, coupled with an increased level of investment in personnel, infrastructure, technology and other resources.

### **Corporate Consulting**

#### **Revenues**

Corporate Consulting segment revenues decreased \$2.2 million, or 8.8%, to \$22.1 million for the first quarter of 2009 from \$24.3 million for the first quarter of 2008. Revenues from time-and-expense engagements, fixed-fee engagements and performance-based engagements represented 47.0%, 53.0% and 0% of this segment's revenues during the three months ended March 31, 2009, respectively, compared to 49.2%, 45.5% and 5.3%, respectively, for the comparable period in 2008.

The \$2.2 million decrease in revenues was primarily attributable to our full-time billable consultant revenues, reflecting a decrease in the number of consultants for this segment, partially offset by an increase in the utilization rate and average billing rate per hour for this segment.

#### **Operating Income**

Corporate Consulting segment operating income decreased \$0.5 million, or 6.1%, to \$7.9 million in the three months ended March 31, 2009 from \$8.4 million in the three months ended March 31, 2008. Segment operating margin increased to 35.5% for the first quarter of 2009 from 34.5% in the same period last year. The increase in this segment's operating margin reflects lower non-cash compensation expense, partially offset by higher cash-compensation cost as a percentage of revenues. Non-cash compensation expense, representing Shareholder Payments and Employee Payments as described above under Restatement of Previously-Issued Financial Statements, for the Corporate Consulting segment totaled \$0.3 million and \$1.0 million in the first quarter of 2009 and 2008, respectively, and reduced this segment's operating margin by 140 basis points and 410 basis points in the first quarter of 2009 and 2008, respectively.

## **LIQUIDITY AND CAPITAL RESOURCES**

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Cash and cash equivalents decreased \$4.5 million, from \$14.1 million at December 31, 2008 to \$9.6 million at March 31, 2009. Our primary sources of liquidity are cash flows from operations and debt capacity available under our credit facility.

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Cash flows provided by operating activities was \$2.1 million for the first quarter of 2009, compared to cash used of \$28.5 million for the same period last year. Our operating assets and liabilities consist primarily of receivables from billed and unbilled services, accounts payable and accrued expenses, and accrued payroll and related benefits. The volume of services rendered and the related billings and timing of collections on those billings, as well as payments of our accounts payable affect these account balances. The increase in cash provided by operations during the first quarter of 2009 was attributable to us collecting cash on our receivables more quickly during the first quarter of 2009 as compared to the first quarter of 2008. This was largely due to our integration of Stockamp, which has a practice of billing its clients and collecting cash in advance. The increase in cash provided by operations was also due to lower bonuses paid during the first quarter of 2009 as compared to the same period last year.

Cash used in investing activities was \$50.0 million for the three months ended March 31, 2009 and \$16.6 million for the same period last year. The use of cash in the first quarters of 2009 and 2008 primarily consisted of payments of additional purchase consideration earned by the selling shareholders of businesses that we acquired, totaling \$46.2 million in 2009 and \$8.7 million in 2008. The use of cash in the first quarters of 2009 and 2008 also included purchases of property and equipment.

At March 31, 2009, we had a credit agreement with various financial institutions under which we may borrow up to \$460.0 million, with an accordion feature allowing for an additional amount of up to \$60.0 million to be borrowed upon approval from the lenders. The credit agreement consists of a \$240.0 million revolving credit facility ( Revolver ) and a \$220.0 million term loan facility ( Term Loan ), which was drawn in a single advance of \$220.0 million on July 8, 2008 to fund, in part, our acquisition of Stockamp. The borrowing capacity under the credit agreement is reduced by any outstanding letters of credit and payments under the Term Loan. At March 31, 2009, outstanding letters of credit totaled \$5.7 million and are used as security deposits for our office facilities. As of March 31, 2009, the borrowing capacity under the credit agreement was \$116.3 million.

Fees and interest on borrowings vary based on our total debt to earnings before interest, taxes, depreciation and amortization ( EBITDA ) ratio as set forth in the credit agreement. Interest is based on a spread, ranging from 1.50% to 2.50%, over the London Interbank Offered Rate ( LIBOR ) or a spread, ranging from 0.50% to 1.50%, over the base rate (which is the greater of the Federal Funds Rate plus 0.50% or the Prime Rate), as selected by us. The Term Loan is subject to amortization of principal in fifteen consecutive quarterly installments that began on September 30, 2008, with the first fourteen installments being \$5.5 million each. The fifteenth and final installment will be the amount of the remaining outstanding principal balance of the Term Loan and will be payable on February 23, 2012, but can be repaid earlier. All outstanding borrowings under the Revolver will be due upon expiration of the credit agreement on February 23, 2012.

Under the credit agreement, dividends are restricted to an amount up to \$10.0 million per fiscal year plus 50% of consolidated net income (adjusted for non-cash share-based compensation expense) for such fiscal year, plus 50% of net cash proceeds during such fiscal year with respect to any issuance of capital securities. In addition, certain acquisitions and similar transactions need to be approved by the lenders. The credit agreement includes quarterly financial covenants that require us to maintain a minimum fixed charge coverage ratio of 2.50 to 1.00 and a maximum leverage ratio of 3.25 to 1.00, as those ratios are defined in the credit agreement. At March 31, 2009, we were in compliance with these financial covenants with a fixed charge coverage ratio of 3.00 to 1.00 and a leverage ratio of 2.40 to 1.00.

During the first quarter of 2009, we made borrowings to pay bonuses and additional purchase consideration earned by selling shareholders of businesses that we acquired and that were accrued for at December 31, 2008. We also made borrowings to fund our daily operations. During the three months ended March 31, 2009, the average daily outstanding balance under our credit facility was \$285.7 million. Borrowings outstanding under this credit facility at March 31, 2009 totaled \$321.5 million and carried a weighted-average interest rate of 3.0%. Borrowings outstanding at December 31, 2008 totaled \$280.0 million and carried a weighted-average interest rate of 3.1%. At both March 31, 2009 and December 31, 2008, we were in compliance with our debt covenants.

See above under the heading Restatement of Previously-Issued Financial Statements in this Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, note 3. Restatement of Previously-Issued Financial Statements in the notes to consolidated financial statements under Part I - Item 1. Consolidated Financial Statements and Part II - Item 1A. Risk Factors for a discussion of certain matters related to the Credit Agreement and our borrowings thereunder in light of the restatement.



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### **Huron Consulting Group Inc.**

On March 20, 2009, we entered into an interest rate swap agreement. See Item 3. Quantitative and Qualitative Disclosures About Market Risk below for further details.

### **Future Needs**

Our primary financing need has been to fund our growth. Our growth strategy is to expand our service offerings, which will require investment in new hires, acquisitions of complementary businesses, expansion into other geographic areas, and capital expenditures for information technology, office space, furniture and fixtures, as well as leasehold improvements. In connection with our past business acquisitions, we are required under earn-out provisions to pay additional purchase consideration to the sellers if specific financial performance targets are met. We also have cash needs to service our credit facility and repay our term loan. Further, we have other cash commitments relating to other future contractual obligations. Because we expect that our future annual growth rate in revenues and related percentage increases in working capital balances will moderate, we believe our internally generated liquidity, together with the borrowing capacity available under our revolving credit facility and access to external capital resources, will be adequate to fund our long-term growth and capital needs arising from earn-out provisions, cash commitments and debt service obligations. Our ability to secure short-term and long-term financing in the future will depend on several factors, including our future profitability, the quality of our accounts receivable and unbilled services, our relative levels of debt and equity, and the overall condition of the credit markets, which declined significantly during 2008 and may continue to decline in 2009. As discussed under the heading *Restatement of Previously-Issued Financial Statements* in this Part I - Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and in note 3. *Restatement of Previously-Issued Financial Statements* in the notes to consolidated financial statements under Part I - Item 1. *Consolidated Financial Statements*, we expect to engage in an impairment analysis with respect to the carrying value of our goodwill in connection with the significant decline in the price of our common stock since our July 31, 2009 announcement of our intention to restate our financial statements, which analysis could result in our not being in compliance with the financial covenants under the Credit Agreement.

### **CONTRACTUAL OBLIGATIONS**

For a summary of our commitments to make future payments under contractual obligations, see Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations* in our Annual Report on Form 10-K for the year ended December 31, 2008. There have been no significant changes in our contractual obligations since December 31, 2008 except as described below:

During the first quarter of 2009, we paid additional purchase consideration to selling shareholders of businesses that we acquired as financial performance targets were met in 2008. The aggregate purchase consideration paid totaled \$46.2 million.

During the first quarter of 2009, our long-term borrowings increased from \$280.0 million as of December 31, 2008 to \$321.5 million as of March 31, 2009.

### **OFF BALANCE SHEET ARRANGEMENTS**

Except for operating leases, we have not entered into any off-balance sheet arrangements.

### **NEW ACCOUNTING PRONOUNCEMENTS**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles ( GAAP ), and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements in financial statements, but standardizes its definition and guidance in GAAP. We adopted SFAS No. 157 effective beginning on January 1, 2008 for financial assets and financial liabilities, which did not have any impact on our financial statements. In February 2008, the FASB issued FASB Staff Position ( FSP ) FAS 157-2, *Effective Date of FASB Statement No. 157*, which delayed by one year the effective date

of SFAS No. 157 for all nonfinancial

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assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted SFAS No. 157 effective beginning on January 1, 2009 for nonfinancial assets and nonfinancial liabilities, which did not have any impact on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, ( SFAS No. 141R ). SFAS No. 141R was issued to improve the relevance, representational faithfulness, and comparability of information in financial statements about a business combination and its effects. This statement retains the purchase method of accounting for business combinations, but requires a number of changes. The changes that may have the most significant impact on us include: contingent consideration, such as earn-outs, will be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings until settled; acquisition-related transaction and restructuring costs will be expensed as incurred; previously-issued financial information will be revised for subsequent adjustments made to finalize the purchase price accounting; reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties will be recognized in earnings, except in certain situations. In April 2009, the FASB issued FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingences, which requires an acquirer to recognize at fair value, an asset acquired or a liability assumed in a business combination that arises from a contingency provided the asset or liability's fair value can be determined on the date of acquisition. We adopted SFAS No. 141R on a prospective basis effective beginning on January 1, 2009. For business combinations completed on or subsequent to the adoption date, the application of this statement may have a significant impact on our financial statements, the magnitude of which will depend on the specific terms and conditions of the transactions.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 was issued to improve the relevance, comparability, and transparency of financial information provided in financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. We adopted SFAS No. 160 effective beginning on January 1, 2009. The adoption of this statement did not have any impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133. SFAS No. 161 was issued to improve transparency of financial information provided in financial statements by requiring expanded disclosures about an entity's derivative and hedging activities. This statement requires entities to provide expanded disclosures about: how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133; and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. We adopted SFAS No. 161 effective beginning on January 1, 2009. The adoption of this statement did not have any impact on our financial statements as it contains only disclosure requirements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risks primarily from changes in interest rates, changes in the price of our common stock and changes in the market value of our investments.

Our exposure to changes in interest rates is limited to borrowings under our bank credit facility, which has variable interest rates tied to the LIBOR, Federal Funds Rate or Prime Rate. At March 31, 2009, we had borrowings outstanding totaling \$321.5 million that carried a weighted-average interest rate of 3.0%. A hypothetical one percent change in this interest rate would have a \$3.2 million effect on our pre-tax income.

On March 20, 2009, we entered into an interest rate swap agreement for a notional amount of \$100.0 million effective on March 31, 2009 and ending on February 23, 2012. We entered into this interest rate swap to hedge against the risk of changes in future cash flows related to changes in interest rate on \$100.0 million of the total variable-rate borrowings outstanding under our credit facility. Under the terms of the agreement, we will receive from the counterparty interest on the \$100.0 million notional amount based on one-month LIBOR and we will pay to the counterparty a fixed rate of 1.715%. This swap will effectively fix our LIBOR-based rate for \$100.0 million of our debt beginning on March 31, 2009 and through February 23, 2012. Including the impact of the swap, the effective interest rate on \$100.0 million of our debt was 4.2% as of March 31, 2009. We expect this hedge to be highly effective.



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We have not entered into any other interest rate swaps, caps or collars or other hedging instruments as of March 31, 2009.

In connection with our acquisition of Stockamp and an amendment to the Wellspring Stock Purchase Agreement, we issued a total of 1,541,036 shares of our common stock to the sellers of Stockamp and Wellspring. Additionally, we provided them with a protection against a decline in the value of the shares issued until the restrictions on the shares have lapsed. As such, we are subject to market risk relating to our common stock. Of the 1,541,036 shares issued, the restrictions on 1,210,814 shares lapsed on January 9, 2009 and we were not required to make further payments. The restrictions on the remaining 330,222 shares that were placed in escrow will lapse on July 9, 2009. Upon the lapse of the restrictions, if the average daily closing price of our common stock for the ten consecutive trading days prior to the date that the restrictions lapse is \$47.81 or below, then for every \$1.00 that our stock price is below \$47.81, we would be required to pay the sellers approximately \$0.3 million, in the form of cash, stock, or any combination of cash and stock. Based on the average daily closing price of our common stock for the ten consecutive trading days prior to and including March 31, 2009, or \$42.07, we would be obligated to make a protection payment to the sellers of approximately \$1.8 million. If the average price of our common stock decreased further by 10% to \$37.86, the protection payment would increase to \$3.1 million.

From time to time, we invest excess cash in marketable securities. These investments principally consist of overnight sweep accounts. Due to the short maturity of our investments, we have concluded that we do not have material market risk exposure.

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### **Huron Consulting Group Inc.**

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Background**

As discussed in the Explanatory Note to Amendment No. 1 to this Amendment, in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and in note 3. Restatement of Previously-Issued Financial Statements in the notes to consolidated financial statements under Part I Item 1. Consolidated Financial Statements, we are amending our quarterly report on Form 10-Q/A for the period ended March 31, 2009 (the Original Filing) to restate our consolidated balance sheets as of March 31, 2009 and December 31, 2008, our consolidated statements of income and cash flows for the three months ended March 31, 2009 and 2008, and our consolidated statements of stockholders equity for the three months ended March 31, 2009.

As discussed in the aforementioned sections, the Shareholder Payments and Employee Payments were not properly recorded in our financial statements because senior management did not properly take into account the impact of the selling shareholders' redistribution of the acquisition-related payments when determining the appropriate accounting treatment. In some cases, senior management was unaware of the redistributions. In other cases, senior management was aware of the redistributions but either misunderstood or misapplied the appropriate accounting guidance. As a result, the facts and circumstances surrounding the Shareholder Payments and Employee Payments were not fully described in representation letters previously provided to our independent auditors.

##### **Evaluation of Disclosure Controls and Procedures**

In the Original Filing, our management, with the participation of the Company's then Chief Executive Officer and then Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2009. Based on that evaluation, our then Chief Executive Officer and then Chief Financial Officer concluded that, as of March 31, 2009, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act. Based on that evaluation, they further concluded that such information was accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

In connection with the restatement described above, our management, with the participation of our current Chief Executive Officer and current Chief Financial Officer, each of whom was appointed on July 31, 2009, reevaluated our initial conclusion. Based on that reevaluation and solely as a result of the material weakness in our internal control over financial reporting described below, we concluded that our disclosure controls and procedures were not effective as of March 31, 2009.

As discussed below, we have identified a material weakness in our internal control over financial reporting related to our accounting for certain acquisition-related payments received by the selling shareholders of specific businesses we acquired that were subsequently redistributed by the selling shareholders among themselves and to other select Huron employees. As a result of our identification of such material weakness, we performed substantial additional procedures to determine how such acquisition-related payments were redistributed among such selling shareholders and to such employees and to reconcile such redistribution with our underlying records. We also engaged in a related analysis of our underlying records and our financial statements in light of the redistribution of the acquisition-related payments to determine the completeness and accuracy of our underlying records and our financial statements with respect to such redistribution. These procedures and our related analysis were undertaken to identify the accounting adjustments required with respect to the redistribution of such acquisition-related payments by the selling shareholders to ensure that our consolidated financial statements included in this Amendment could be presented in accordance with GAAP.

Notwithstanding the material weakness described below, we believe that, because we performed the substantial additional procedures and analysis described above and recorded the appropriate accounting adjustments, the consolidated financial statements for the periods included in this Amendment are fairly stated in all material respects in accordance with GAAP.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting





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**Huron Consulting Group Inc.**

(as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. Under the supervision of our new Chief Executive Officer and new Chief Financial Officer, we reevaluated the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this reevaluation, we have concluded that we did not maintain effective controls to ensure the appropriate recording and reporting of certain acquisition-related payments. Specifically, the Company's controls were not designed to ensure that the redistribution of such acquisition-related payments among the selling shareholders and to certain of our employees was correctly recorded in accordance with GAAP, including guidance promulgated by the SEC.

This failure to correctly account for the redistribution of such acquisition-related payments resulted in misstatements in our consolidated financial statements for the quarter ended March 31, 2009 and for the years ended December 31, 2008, 2007 and 2006, including the quarterly periods in each of these years, that were not prevented or detected as more fully described in the Explanatory Note to Amendment No. 1 to this Amendment and in note 3. Restatement of Previously-Issued Financial Statements in the notes to consolidated financial statements under Part I Item 1. Consolidated Financial Statements. This control deficiency could result in a material misstatement of direct costs, total direct costs and reimbursable expenses, operating income, income before provision for income taxes, net income, earnings per share, additional paid-in-capital and retained earnings that could result in a material misstatement of the Company's annual and interim consolidated financial statements that would not be prevented or detected on a timely basis. Accordingly, our management has determined that this control deficiency constitutes a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. As described in our 2008 Annual Report on Form 10-K/A, we have engaged in and continue to engage in significant efforts to address the material weakness in our internal control over financial reporting, and it is our goal to remediate the material weakness as soon as practicable.

There has been no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**Huron Consulting Group Inc.**

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

**Legal Proceedings at the Time of the Original Filing**

On July 3, 2007, The Official Committee (the Committee) of Unsecured Creditors of Saint Vincents Catholic Medical Centers of New York d/b/a Saint Vincent Catholic Medical Centers ( St. Vincents ), et al. filed suit against Huron Consulting Group Inc., certain of our subsidiaries, including Speltz & Weis LLC, and two of our former managing directors, David E. Speltz ( Speltz ) and Timothy C. Weis ( Weis ), in the Supreme Court of the State of New York, County of New York. On November 26, 2007, Gray & Associates, LLC ( Gray ), in its capacity as trustee on behalf of the SVCMC Litigation Trust, was substituted as plaintiff in the place of the Committee and on February 19, 2008, Gray filed an amended complaint in the action. Beginning in 2004, St. Vincents retained Speltz & Weis LLC to provide management services to St. Vincents, and its two principals, Speltz and Weis, were made the interim chief executive officer and chief financial officer, respectively, of St. Vincents. In May of 2005, we acquired Speltz & Weis LLC. On July 5, 2005, St. Vincents filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York ( Bankruptcy Court ). On December 14, 2005, the Bankruptcy Court approved the retention of Speltz & Weis LLC and us in various capacities, including interim management, revenue cycle management and strategic sourcing services. The amended complaint filed by Gray alleges, among other things, breach of fiduciary duties, breach of the New York Not-For-Profit Corporation Law, malpractice, breach of contract, tortious interference with contract, aiding and abetting breaches of fiduciary duties, certain fraudulent transfers and fraudulent conveyances, breach of the implied duty of good faith and fair dealing, fraud, aiding and abetting fraud, negligent misrepresentation, and civil conspiracy, and seeks at least \$200 million in damages, disgorgement of fees, return of funds or other property transferred to Speltz & Weis LLC, attorneys fees, and unspecified punitive and other damages. We believe that the claims are without merit and intend to vigorously defend ourselves in this matter. The suit is in the pre-trial stage and no trial date has been set.

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the filing date of the Original Filing, we were not a party to or threatened with any other litigation or legal proceeding that, in the opinion of management, could have a material adverse effect on our financial position or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expected results.

**Legal Proceedings Since the Time of the Original Filing**

*Related to the Restatement*

The SEC is commencing an investigation with respect to the circumstances that led to the restatement. We intend to cooperate fully with the SEC in its investigation. In addition, the following purported shareholder class action complaints have been filed in connection with our restatement in the United States District Court for the Northern District of Illinois: (1) a complaint in the matter of Jason Hughes v. Huron Consulting Group Inc., Gary E. Holdren and Gary L. Burge, filed on August 4, 2009; (2) a complaint in the matter of Dorothy DeAngelis v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge, Wayne Lipski and PricewaterhouseCoopers LLP, filed on August 5, 2009; (3) a complaint in the matter of Noel M. Parsons v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge, Wayne Lipski and PricewaterhouseCoopers LLP, filed on August 5, 2009; (4) a complaint in the matter of Adam Liebman v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and Wayne Lipski, filed on August 5, 2009; (5) a complaint in the matter of Gerald Tobin v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and PricewaterhouseCoopers LLP, filed on August 7, 2009 and (6) Gary Austin v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and Wayne Lipski, filed on August 7, 2009. The complaints assert claims under Section 10(b) and Section 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder and contend that the Company and the individual defendants issued false and misleading statements regarding the Company's financial results and compliance with GAAP. We intend to defend vigorously the actions.



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### **Huron Consulting Group Inc.**

#### *Other*

In addition to the SEC investigation with respect to the circumstances that led to the restatement, the Company conducted a separate inquiry, in response to an inquiry from the SEC, into the allocation of chargeable hours. This matter has no impact on billings to our clients, but could impact the timing of when revenue is recognized. Based on the Company's internal inquiry, which is substantially complete, the Company has concluded that an adjustment to its historical financial statements is not required with respect to the matter. The SEC inquiry with respect to the allocation of chargeable hours is ongoing.

Given the uncertain nature of the SEC investigation with respect to the circumstances that led to the restatement, the SEC inquiry into the allocation of chargeable hours and the private shareholder class action lawsuits in respect of the restatement, and the uncertainties related to the incurrence and amount of loss, including with respect to the imposition of fines, penalties, damages, administrative remedies and liabilities for additional amounts, with respect to the SEC investigation, the SEC inquiry and the private lawsuits, we are unable to predict the ultimate outcome of the SEC investigation, the SEC inquiry or the private lawsuits, determine whether a liability has been incurred or make a reasonable estimate of the liability that could result from an unfavorable outcome in the SEC investigation, the SEC inquiry or the private lawsuits. Any such liability could be material. See Part II Item 1A. Risk Factors and Risk Factors in our 2008 Annual Report on Form 10-K/A for a discussion of certain risks and uncertainties relating to the SEC investigation, the SEC inquiry and the private lawsuits and certain other risks and uncertainties that are heightened by the SEC investigation, the SEC inquiry and the private lawsuits.

#### **ITEM 1A. RISK FACTORS**

In addition to the risk factor described below, see Risk Factors in our 2008 annual report on Form 10-K/A for a complete description of the material risks we face.

**On July 31, 2009, we announced our intention to restate our financial statements for the years ended 2006, 2007 and 2008 and the first quarter of 2009. Concurrently, we announced certain senior management changes. Following such announcements, the price of our common stock declined significantly. The reputational issues raised by the foregoing, the potential goodwill impairment charge arising out of the decline in our stock price and the potential impact of the SEC investigation and private litigation with respect to the restatement could have a material adverse effect on our business, prospects, cash flow, overall liquidity, results of operations or financial condition.**

We are restating certain of our previously-issued financial statements to correct our accounting for certain acquisition-related payments received by the selling shareholders of specific businesses we acquired that were subsequently redistributed by the selling shareholders among themselves and to other select Company employees. Concurrently with the announcement of the restatement, we announced that our then Chairman and Chief Executive Officer had resigned and that our then Chief Financial Officer had been replaced and would be leaving the Company and our then Chief Accounting Officer would be leaving the Company. A new Non-Executive Chairman was elected, and a new Chief Executive Officer and Chief Financial Officer were appointed, effective July 31, 2009. The restatement and these changes in our senior management have raised reputational issues for our businesses, in particular for our Accounting and Financial Consulting segment.

The damages to our business that may arise out of these reputational issues heighten the risks described in our 2008 annual report on Form 10-K/A, and specifically may adversely impact our ability to:

retain our senior management team, our practice leaders and our other managing directors;

hire and retain talented people in an industry where there is great competition for talent;

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maintain our existing business practices and revenues given our clients' ability to terminate their engagement agreements with little or no notice and without penalty;

attract new business in the highly competitive consulting services industry; and

continue our growth strategy by hiring individuals or groups of individuals and by acquiring complementary businesses.

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**Huron Consulting Group Inc.**

On July 31, 2009, immediately prior to our announcement of our intention to restate our financial statements, the price of our common stock was \$44.35 per share. As of the close of business on August 3, 2009, the business day following such announcement, the price of our common stock was \$13.69 per share. As a result of the significant decline in the price of our common stock, we expect to engage in an impairment analysis with respect to the carrying value of our goodwill in connection with the preparation of our financial statements for the quarter ending September 30, 2009. If following such analysis we are required to record a non-cash goodwill impairment charge, we may not be in compliance with the financial covenants in the Credit Agreement. In the absence of an amendment or waiver from our lenders, failure to comply with such covenants may result in (1) a default interest rate of 2% being charged in addition to the interest rate as determined under the Credit Agreement on all of our outstanding indebtedness under the Credit Agreement, (2) our not being able to make additional borrowings under the Credit Agreement, which we rely on to fund our operations, and (3) the lenders requiring us to repay our outstanding indebtedness under the Credit Agreement, which totaled \$295 million as of June 30, 2009. There can be no assurance that we will remain in compliance with the financial covenants under the Credit Agreement or, if we are not, that we will obtain the necessary amendments or waivers and, even if we are able to obtain them, such amendments or waivers may subject us to terms materially less favorable to us than those in our current agreement. Such amended terms could expose us to significant risks related to increased interest rates, may require us to dedicate a larger portion of our cash from operations to service indebtedness and may limit our ability to obtain additional funding under the Credit Agreement.

Finally, the SEC is commencing an investigation with respect to the circumstances that led to the restatement, and several purported shareholder class action complaints have been filed in respect of the restatement. In addition, the Company conducted a separate inquiry, in response to an inquiry from the SEC, into the allocation of chargeable hours. The SEC inquiry with respect to the allocation of chargeable hours is ongoing. While we are fully cooperating with the SEC in its investigation with respect to the circumstances that led to the restatement and its inquiry into the allocation of chargeable hours and intend to vigorously defend the private actions in respect of the restatement, such investigation, inquiry and actions subject us to a number of additional risks, including:

the diversion of management's time, attention and resources from managing and marketing our company;

increased costs and expenses to respond to the SEC's investigation and inquiry and to defend the private actions;

additional damage to our reputation that may further heighten the risks described above; and

the imposition of fines, penalties, damages, administrative remedies and liabilities for additional amounts resulting from actions or findings by the SEC or pursuant to rulings, orders or judgments by the courts with jurisdiction over the private actions.

Given the uncertain nature of the SEC investigation with respect to the circumstances that led to the restatement, the SEC inquiry into the allocation of chargeable hours and the private shareholder class action lawsuits in respect of the restatement, and the uncertainties related to the incurrence and amount of loss, including with respect to the imposition of fines, penalties, damages, administrative remedies and liabilities for additional amounts, with respect to the SEC investigation, the SEC inquiry and the private lawsuits, we are unable to predict the ultimate outcome of the SEC investigation, the SEC inquiry or the private lawsuits, determine whether a liability has been incurred or make a reasonable estimate of the liability that could result from an unfavorable outcome in the SEC investigation, the SEC inquiry or the private lawsuits. Any such liability could be material.

The failure to successfully address any one or more of these risks could have a material adverse effect on our business, prospects, cash flow, overall liquidity, results of operations or financial condition.





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Our 2004 Omnibus Stock Plan permits the netting of common stock upon vesting of restricted stock awards to satisfy individual tax withholding requirements. During the quarter ended March 31, 2009, we reacquired 33,318 shares of common stock with a weighted-average fair market value of \$46.46 as a result of such tax withholdings as presented in the table below.

<b>Period</b>	<b>Total Number of Shares Redeemed to Satisfy Employee Tax Withholding Requirements</b>	<b>Weighted-Average Fair Market Value Per Share Redeemed</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b>
January 2009	8,406	\$ 57.27	N/A	N/A
February 2009	5,149	\$ 48.72	N/A	N/A
March 2009	19,763	\$ 41.27	N/A	N/A
Total	33,318	\$ 46.46	N/A	N/A

N/A Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

(a) The following exhibits are filed as part of this Amendment.

**Exhibit**

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**Exhibit  
Number**

- 3.1 Amended and Restated Bylaws of Huron Consulting Group Inc., incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed with the SEC on April 30, 2009.
- 31.1 Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**Huron Consulting Group Inc.**

**SIGNATURE**

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.

Huron Consulting Group Inc.  
(Registrant)

Date: August 17, 2009

/s/ James K. Rojas  
James K. Rojas  
Chief Financial Officer

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