Huron Consulting Group Inc.
Form S-1/A
September 27, 2004
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As filed with the Securities and Exchange Commission on September 27, 2004.

Registration No. 333-115434

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4

To

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

HURON CONSULTING GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware	**8742**	**01-0666114**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code number)**	**(IRS Employer Identification Number)**

550 West Van Buren Street

Chicago, Illinois 60607

(312) 583-8700

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Gary E. Holdren

Chief Executive Officer and President

Huron Consulting Group Inc.

550 West Van Buren Street

Chicago, Illinois 60607

(312) 583-8700

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling stockholder may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and neither we nor the selling stockholder are soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS Subject to Completion September 27, 2004

5,000,000 Shares

Common Stock

This is the initial public offering of shares of common stock of Huron Consulting Group Inc. Prior to this offering, there has been no public market for our common stock. We are offering 3,333,333 shares of common stock and the selling stockholder identified in this prospectus is offering 1,666,667 shares of common stock. We will not receive any proceeds from the sale of any shares by the selling stockholder. The initial public offering price of our common stock is expected to be between $14.00 and $16.00 per share.

We have applied for the quotation of our common stock on the NASDAQ National Market under the symbol HURN.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock in Risk factors beginning on page 13 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to the selling stockholder	$	$

The underwriters may also purchase up to an additional 750,000 shares of common stock from the selling stockholder at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus to cover over-allotments, if any. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be $ and total proceeds, before expenses, to the selling stockholder will be $.

The underwriters are offering the common stock as set forth under Underwriting. Delivery of the shares of common stock will be made on or about , 2004.

UBS Investment Bank **Deutsche Bank Securities**

William Blair & Company

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You should only rely on the information contained in this prospectus. Neither we, the selling stockholder nor the underwriters have authorized anyone to provide you with information different from that contained in this prospectus. We and the selling stockholder are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of the date of this prospectus.

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Through and including , 2004 (the 25th day after commencement of this offering), federal securities law may require all dealers effecting transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Huron Consulting Group Inc., Huron Consulting Group, our logo and certain other names of our services are our trademarks, trade names or service marks. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

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Prospectus summary

The following is a summary of some of the information contained in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk factors and the consolidated financial statements and notes to those financial statements included elsewhere in this prospectus. In this prospectus, unless the context otherwise requires, the terms Huron, company, we, us and our refer to Huron Consulting Group Inc. and its subsidiaries.

OUR BUSINESS

We are an independent provider of financial and operational consulting services. Our highly experienced and credentialed professionals employ their expertise in accounting, finance, economics and operations to provide our clients with specialized analysis and customized advice and solutions that are tailored to address each client s particular challenges and opportunities.

We provide our services through two segments: Financial Consulting and Operational Consulting. Our Financial Consulting segment helps clients effectively address complex challenges that arise from litigation, disputes, investigations, regulation, financial distress and other sources of significant conflict or change. Our services in this segment include financial and economic analysis; forensic accounting; expert support and testimony services; restructuring, turnaround and bankruptcy advisory services; and valuation analysis. Our Operational Consulting segment helps clients improve the overall efficiency and effectiveness of their operations, reduce costs, manage regulatory compliance and maximize procurement efficiency. For the year ended December 31, 2003 and the six months ended June 30, 2004, we derived 68.9% and 62.3%, respectively, of our revenues from Financial Consulting and 31.1% and 37.7%, respectively, of our revenues from Operational Consulting.

We believe many organizations are facing increasingly large and complex business disputes and lawsuits, a growing number of regulatory and internal investigations and more intense public scrutiny. Concurrently, we believe increased competition and regulation are presenting significant operational and financial challenges for organizations. Distressed companies are responding to these challenges by restructuring and reorganizing their businesses and capital structures, while financially healthy organizations are striving to take advantage of business opportunities by improving operations, reducing costs and maximizing revenue. Many organizations have limited dedicated resources to respond effectively to these challenges and opportunities. Consequently, we believe these organizations will increasingly seek to augment their internal resources with experienced independent consultants like us.

We provide our services to a wide variety of both financially sound and distressed organizations, including Fortune 500 companies, medium-sized and large businesses, leading academic institutions, healthcare organizations and the law firms that represent these various organizations. Since May 2002, we have conducted over 1,000 engagements for over 500 clients, and we have worked on engagements with 35 of the 40 largest U.S. law firms listed in *The American Lawyer* 2004 Am Law 100.

As of September 17, 2004, we had 604 employees, including 486 billable professionals, whom we refer to as consultants. In addition to our headquarters in Chicago, we have five other core offices located in Boston, Houston, New York City, San Francisco and Washington, D.C. and two smaller offices located in Charlotte and Los Angeles.

OUR HISTORY

Huron was formed in March 2002 and commenced operations in May 2002. We were founded by a core group of experienced financial and operational consultants that consisted primarily of former Arthur

Andersen LLP partners and professionals, including our chief executive officer, Gary E. Holdren, with

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equity sponsorship from a group of investors led by Lake Capital Management LLC. For purposes of holding their investment in us, these investors formed our parent, HCG Holdings LLC, a Delaware limited liability company. HCG Holdings LLC, which is the selling stockholder in this offering, currently owns approximately 93% of our outstanding common stock. After giving effect to this offering (without giving effect to the underwriters over-allotment option) and the issuance of 769,700 shares of restricted common stock to our executive officers and certain of our employees on the date of this prospectus, HCG Holdings LLC will own approximately 59% of our outstanding common stock. As a result, HCG Holdings LLC will continue to have the power to control all matters submitted to our stockholders for approval after the consummation of this offering. After giving effect to this offering (without giving effect to the underwriters over-allotment option), the issuance of 769,700 shares of restricted common stock to our executive officers and certain of our employees on the date of this prospectus and the grant to each of our four independent directors of options exercisable for 13,333 shares of common stock, assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, our executive officers, board members and director nominees will collectively own approximately 6% of our outstanding common stock, assuming all outstanding options that will be vested at the time of consummation of this offering, including the options held by these persons, were exercised and that the exercise price was paid in cash. See Prospectus summary Background and certain transactions, Certain relationships and related transactions and Principal and selling stockholders for further information.

We created Huron because we believed that a financial and operational consulting business that is unaffiliated with a public accounting firm is better suited to serve its clients needs. As an independent consulting firm, Huron is not subject to the legal restrictions placed on public accounting firms that prohibit them from providing certain non-audit services to their audit clients. We also believed that many other consulting firms provided only a limited scope of services and, therefore, a company such as ours with a wide array of services would be better positioned to serve the diverse and complex needs of various organizations.

In response to strong demand for our services, we began aggressively hiring consultants in the first quarter of 2003 and added over 200 new consultants during 2003. While this aggressive hiring negatively impacted our utilization rates (determined by dividing the number of hours all of our consultants worked on client assignments during a period by the total available working hours for all of our consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days) as we integrated our new hires, we believe the early results of this growth initiative are evident in our recent financial results. Revenues in 2002 totaled $35.1 million for our first eight months of operations and rose to $101.5 million in 2003, our first full year of operations. Revenues totaled $81.6 million in the six months ended June 30, 2004 compared to $46.9 million in the six months ended June 30, 2003, representing 74.0% year-over-year growth. We incurred a net loss of $4.2 million for the partial year ended December 31, 2002 and a net loss of $1.1 million for the year ended December 31, 2003 and generated net income of $7.2 million for the six months ended June 30, 2004 compared to $1.9 million for the six months ended June 30, 2003. At June 30, 2004, we had a total stockholders deficit of $0.2 million.

OUR COMPETITIVE STRENGTHS

We believe our key competitive strengths include:

Ø **Experienced and highly qualified consultants.** Our consultants combine proficiency in accounting, finance, economics and operations with deep knowledge of specific industries. In addition, many of our consultants are highly credentialed and include certified public accountants, MBAs, accredited valuation specialists and forensic accountants.

Ø **Independent provider of financial and operational consulting services.** We believe increased regulations, growing public scrutiny and concern regarding auditor conflicts of interests provide us with a competitive advantage over public accounting firms in securing consulting

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engagements. We also believe that the relatively small number of large public accounting firms will lead some organizations to engage independent consultants like us to preserve their flexibility to hire large public accounting firms for audit or other attest services.

Ø **Complementary service offerings and integrated approach.** We offer a broad array of financial and operational consulting services that can be delivered through teams of consultants from our different practices. Our integrated approach enables us to provide solutions tailored to specific client needs. In addition, our range of service offerings reduces our dependence on any one service offering or industry, provides a stimulating work environment for our consultants and enhances our flexibility in managing the utilization and career development of our directors, managers, associates and analysts.

Ø **Distinctive culture.** We believe we have been successful in attracting and retaining top talent because of our distinctive culture, which combines the energy and flexibility of a high-growth company with the professionalism of a major professional services firm. We believe our performance-based compensation program, which both recognizes individual performance and reinforces teamwork, also contributes to our recruiting and retention success.

OUR GROWTH STRATEGY

We have grown significantly since we commenced operations, more than doubling the number of our consultants from 213 on May 31, 2002 to 486 on September 17, 2004. We believe there are a number of opportunities to continue to grow our business, including:

Ø **Attracting additional highly qualified consultants.** We believe our stimulating work environment, performance-based compensation program and distinctive culture will enable us to attract additional top talent from other consulting firms, accounting firms, targeted industries and on-campus recruiting. In the near term, our focus will primarily be on hiring and developing additional managers, associates and analysts to expand support for our existing practices and better leverage our managing directors and directors.

Ø **Growing our existing relationships and developing new relationships.** We work hard to maintain and grow our existing client and law firm relationships. The goodwill created from these relationships leads to referrals from satisfied clients and their law firms, which also enables us to secure engagements with new clients.

Ø **Continuing to promote and deliver an integrated approach to service delivery.** We will continue to utilize our experience with the financial and operational challenges facing our clients to identify and provide additional value-added services as part of an integrated solution. Frequently, a particular engagement is expanded or a new engagement secured with an existing client as a direct result of our quality work for that client.

Ø **Continuing to build our brand.** We intend to continue to build our reputation and a common identity for the services we provide under the Huron brand name. We believe that using a common brand name and identity for our services enhances our visibility in the marketplace and improves our ability to compete for new business.

Ø **Expanding our service offerings.** We believe there will be opportunities to expand our current capabilities or broaden the scope of our existing services, and we will evaluate these in response to client and general market demands.

RISKS RELATING TO OUR BUSINESS AND GROWTH STRATEGY

While we believe focusing on the key areas set forth above will provide us with opportunities to reach our goals, there are a number of risks and uncertainties that may limit our ability to achieve our goals, including that:

- our success depends largely on our ability to attract, develop, motivate and retain highly skilled individuals in an industry where there is great competition for talent;
- growing our business places demands on our management and internal systems, processes and controls, and the increased costs associated with successfully managing these demands may adversely affect our profitability;

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- Ø our profitability depends to a large extent on the utilization and billing rates for our consultants, which are affected by a number of factors, many of which are beyond our control;
- Ø our ability to maintain and attract new business depends upon our reputation, the professional reputation of our consultants and the quality of our services, and any factor that diminishes our reputation or that of our consultants or calls into question the quality of our services could make it substantially more difficult for us to attract new engagements and clients;
- Ø our ability to build our brand could be negatively impacted if another company were to successfully challenge our right to use the Huron name, or if we were unable to prevent a competitor from using a name that is similar to our name; and
- Ø our industry includes a large number of participants and is intensely competitive, and, if we are unable to compete successfully, our financial results will be adversely affected.

For more information about these and other risks related to our business and an investment in our common stock, see Risk factors beginning on page 13. You should consider carefully all of these risks before making an investment in our common stock.

BACKGROUND AND CERTAIN TRANSACTIONS

HCG Holdings LLC

HCG Holdings LLC, our parent and the selling stockholder, is controlled by Lake Capital Partners LP and Lake Capital Management LLC. The remaining equity interests in HCG Holdings LLC are held by certain other institutional investors, some of our executive officers and 24 of our other managing directors, each of our board members, a director nominee and 31 other holders. Our executive officers, board members and the director nominee holding interests in HCG Holdings LLC are Gary Holdren, our Chief Executive Officer and a board member, George Massaro, our Chief Operating Officer and a board member, Gary Burge, our Chief Financial Officer, Daniel Broadhurst, our Vice President, and John McCartney, a director nominee. These individuals collectively hold 2.1% of the common interests and 2.3% of the preferred interests in HCG Holdings LLC. Paul Yovovich, whom we expect to add to our board after the consummation of this offering, is president and a member of Lake Capital Management LLC and controls Lake Capital Partners LP. Mr. Yovovich also directly holds 2.9% of the common interests and 1.0% of the preferred interests in HCG Holdings LLC.

HCG Holdings LLC currently owns approximately 93% of our outstanding common stock and all of our outstanding 8% preferred stock and 8% promissory notes. Some of our executive officers, each of our board members and some of our current and former employees own the remaining approximately 7% of our outstanding common stock.

Equity compensation awards

On the date of this prospectus, we intend to grant equity-based compensation awards to our executive officers and certain of our employees and each of our independent directors.

- Ø **Restricted stock awards.** We intend to grant a total of 769,700 shares of restricted common stock to our executive officers and certain of our employees. Our executive officers who will be granted shares of restricted common stock are Messrs. Holdren, Massaro, Burge and Broadhurst, Natalia Delgado, our General Counsel and Corporate Secretary, and Mary Sawall, our Vice President, Human Resources, who will be granted 158,700, 32,600, 10,900, 10,900, 8,700 and 6,500 shares of restricted common stock, respectively. Based on a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, the aggregate value of the shares of restricted common stock to be granted to Messrs. Holdren, Massaro, Burge and Broadhurst, Ms. Delgado and Ms. Sawall is $2,380,500, $489,000, $163,500, $163,500, $130,500 and $97,500, respectively.

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- **Employee stock option awards.** We intend to grant options to purchase 75,800 shares of our common stock to certain of our employees on the date of this prospectus, including one of our executive officers, Ms. Delgado, who will receive options to purchase 13,100 of these shares. These options will have a per share exercise price equal to the public offering price.

- **Independent director stock option awards.** We intend to grant to each of our four independent directors options exercisable for 13,333 shares of our common stock, assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus. These options will have a per share exercise price equal to the public offering price.

All of the awards described above will be made under our 2004 Omnibus Stock Plan after we file a registration statement on Form S-8 relating to that plan. This Form S-8, which will also relate to our three other equity incentive plans, is expected to be filed on the date of this prospectus after the effectiveness of the registration statement of which this prospectus forms a part. The Form S-8 will become effective upon filing.

Redemption of 8% preferred stock and repayment of 8% promissory notes

As described in the section of this prospectus entitled Use of proceeds, we will use approximately $15.1 million of our net proceeds from this offering to redeem our outstanding 8% preferred stock and approximately $10.7 million to repay in full our outstanding 8% promissory notes. All of our 8% preferred stock and 8% promissory notes are owned by HCG Holdings LLC. We expect that HCG Holdings LLC will distribute substantially all of the proceeds it receives from the sale of the shares being offered by it in this offering, the redemption of the outstanding 8% preferred stock and the repayment by us of the 8% promissory notes to its members in accordance with its governing documents. Assuming that this offering is consummated at a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, and HCG Holdings LLC distributes the entire amount of its proceeds from the foregoing transactions, we estimate that Messrs. Holdren, Massaro, Burge, Broadhurst and McCartney will receive a payment of approximately $875,000, $87,500, $43,800, $43,800 and $43,800, respectively.

See Use of proceeds, Certain relationships and related transactions, Principal and selling stockholders and Description of capital stock for furth information regarding the matters discussed above.

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Post-offering corporate structure and ownership

The following organizational chart sets forth the corporate structure and percentage ownership of preferred interests (PI) and common interests (CI) in HCG Holdings LLC and of our common stock after giving effect to this offering (without giving effect to the exercise of the underwriters over-allotment option). Our post-offering ownership structure gives effect to the issuance by us of the 769,700 shares of restricted common stock to be granted to our executive officers and certain of our employees on the date of this prospectus, but does not give effect to 1,670,041 shares of common stock issuable upon the exercise of outstanding options at September 17, 2004, 75,800 shares of common stock issuable upon the exercise of options to be granted to one of our executive officers and certain of our employees on the date of this prospectus or 53,332 shares of common stock issuable upon the exercise of options to be granted to our independent directors on the date of this prospectus.

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(1) The preferred and common interests in HCG Holdings LLC held by this group reflects the interests held by 24 of our managing directors that are not executive officers. None of these 24 other managing directors individually owns more than 1.0% of either the preferred or common interests in HCG Holdings LLC.
(2) Lake Capital Partners LP and Lake Capital Management LLC collectively have investment and voting control over the shares of our common stock held by HCG Holdings LLC. Lake Capital Investment Partners LP is the sole general partner of Lake

(Footnotes continued on following page.)

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Capital Partners LP and Lake Partners LLC is the sole general partner of Lake Capital Investment Partners LP. Terence M. Graunke and Paul G. Yovovich are the members and managers of Lake Partners LLC as well as members of an investment committee of Lake Capital Investment Partners LP and, in such roles, these individuals have investment and voting control over, and may be deemed to be the beneficial owners of, the shares ultimately controlled by Lake Capital Investment Partners LP. Mr. Graunke is also the controlling member of Lake Capital Management LLC and, pursuant to the Lake Capital Management LLC operating agreement, has investment and voting control over, and may be deemed to be the beneficial owner of, the shares controlled by that entity. Each of Mr. Graunke and Mr. Yovovich disclaims beneficial ownership of the shares of common stock owned by HCG Holdings LLC. Each of Mr. Graunke and Mr. Yovovich individually own preferred and common interests in HCG Holdings, as reflected in the chart.

(3) The PPM America Funds consist of PPM America Private Equity Fund, L.P. and a related fund, Old Hickory Fund I, LLC, which own 34.4% and 0.3%, respectively, of the preferred interests and 30.9% and 0.2%, respectively, of the common interests in HCG Holdings LLC. The Goldman Sachs Funds consist of seven related Goldman Sachs private equity funds, consisting of GS Private Equity Partners 2000, L.P., GS Private Equity Partners 2000 Offshore Holdings, L.P., GS Private Equity Partners 2000 Direct Investment Fund, L.P., GS Private Equity Partners 2002, L.P., GS Private Equity Partners 2002 Offshore Holdings, L.P., GS Private Equity Partners 2002 Direct Investment Fund, L.P. and GS Private Equity Partners 2002 Employee Fund, L.P., which own 3.3%, 1.1%, 1.3%, 1.1%, 2.9%, 1.0% and 0.5%, respectively, of the preferred interests and 3.0%, 1.0%, 1.2%, 1.0%, 2.6%, 0.9% and 0.4%, respectively, of the common interests in HCG Holdings LLC.

(4) This group consists of 31 other investors holding the interests. None of the holders in this group own more than 1.0% of the total preferred interests or total common interests in HCG Holdings LLC, except for The Hamilton Companies LLC, which owns 1.4% of the preferred interests and 1.4% of the common interests.

(5) Mr. Holdren has been attributed for purposes of this chart ownership of 4.24% of the common stock, which is held in a trust for the benefit of the family of Mr. Holdren. See Principal and selling stockholders.

(6) Reflects the shares of common stock held by current and former employees of Huron Consulting Group Inc. None of the holders of the common stock in this group owns more than 1.0% of the total common stock.

CORPORATE INFORMATION

We were incorporated in Delaware in March 2002, commenced operations in May 2002 and conduct all of our consulting activities through a wholly-owned subsidiary, Huron Consulting Services LLC. Our headquarters are located at 550 West Van Buren Street, Chicago, Illinois 60607 and our telephone number is (312) 583-8700. Our web site is www.huronconsultinggroup.com. Information contained on our web site is not incorporated by reference into this prospectus. You should not consider information contained on our web site as part of this prospectus.

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The offering

Common stock offered by us	3,333,333 shares
Common stock offered by the selling stockholder	1,666,667 shares
Total	5,000,000 shares
Common stock to be outstanding immediately after this offering	16,285,960 shares
Over-allotment option	750,000 shares of common stock to be offered by the selling stockholder if the underwriters exercise the over- allotment option in full.
Proposed NASDAQ National Market symbol	HURN
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $42.8 million assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus. We will not receive any proceeds from the sale of shares by the selling stockholder. We will use approximately $15.1 million of our net proceeds to redeem our outstanding 8% preferred stock and approximately $10.7 million to repay our outstanding 8% promissory notes. All of the outstanding shares of the 8% preferred stock and the aggregate principal amount of the 8% promissory notes are held by our parent, HCG Holdings LLC, which is the selling stockholder in this offering. We intend to use the balance of our net proceeds to pay off any borrowings outstanding under our credit agreement and for other general corporate purposes, including working capital. See Use of proceeds.

The number of shares of our common stock outstanding immediately after this offering is based on the number of shares outstanding at September 17, 2004. This number includes the 769,700 shares of restricted common stock that we intend to grant to our executive officers and certain of our employees on the date of this prospectus, but does not include:

- Ø 1,670,041 shares of common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plans, with a weighted average exercise price of $0.75 per share;
- Ø 75,800 shares of common stock issuable upon the exercise of options that we intend to grant on the date of this prospectus to one of our executive officers and certain of our employees, with a per share exercise price equal to the public offering price;
- Ø 53,332 shares of common stock issuable upon the exercise of options that we intend to grant on the date of this prospectus to our independent directors, with a per share exercise price equal to the public offering price and assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus; and

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- 1,242,168 shares reserved and available for future grant or issuance under our 2004 Omnibus Stock Plan.

Unless otherwise indicated, all information in this prospectus assumes:

- a 1 for 2.3 reverse stock split of our outstanding shares of Class A and Class B common stock, which will be effected prior to the consummation of this offering;
- the conversion of each outstanding share of our Class B common stock into a share of our Class A common stock and the renaming of our Class A common stock to common stock, which will occur immediately prior to the consummation of this offering pursuant to the terms of our certificate of incorporation; and
- the underwriters do not exercise their over-allotment option, which entitles them to purchase up to 750,000 additional shares of our common stock from the selling stockholder.

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Summary consolidated financial and other operating data

We have derived the following summary consolidated financial data for the period from March 19, 2002 (inception) to December 31, 2002 and for the year ended December 31, 2003 from our audited consolidated financial statements, except for the pro forma data. We have derived the following summary consolidated financial data for the six months ended June 30, 2003 and 2004 and as of June 30, 2004 from our unaudited interim consolidated financial statements, except for the pro forma data. In the opinion of management, this information contains all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our results of operations and financial position for such periods. The summary information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Selected consolidated financial and other operating data, Management s discussion and analysis of financial condition and results of operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

The pro forma as adjusted balance sheet data gives effect to the following transactions as if each had occurred on June 30, 2004:

- Ø the issuance of 769,700 shares of restricted common stock to our executive officers and certain of our employees, which will occur on the date of this prospectus;
- Ø the sale by us of 3,333,333 shares of our common stock in this offering at an assumed public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us;
- Ø the use of approximately $14.8 million of our estimated net proceeds to redeem our outstanding 8% preferred stock; and
- Ø the use of approximately $10.5 million of our estimated net proceeds to repay our outstanding 8% promissory notes.

For further information regarding the redemption of our 8% preferred stock and the repayment of our 8% promissory notes, see the section of this prospectus entitled Use of proceeds.

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Consolidated statements of operations data:	March 19, 2002 (inception) to December 31, 2002	Year ended December 31, 2003	Six months ended June 30, 2003	Six months ended June 30, 2004
			(unaudited)	
	(in thousands, except per share and other operating data)			
Revenues and reimbursable expenses:				
Revenues	$ 35,101	$ 101,486	$ 46,923	$ 81,604
Reimbursable expenses	2,921	8,808	3,906	7,090
Total revenues and reimbursable expenses	38,022	110,294	50,829	88,694
Direct costs and reimbursable expenses:				
Direct costs	26,055	69,401	29,320	47,591
Reimbursable expenses	2,921	8,929	3,917	7,065
Total direct costs and reimbursable expenses	28,976	78,330	33,237	54,656
Gross profit	9,046	31,964	17,592	34,038
Operating expenses:				
Selling, general and administrative expenses	8,813	25,185	11,093	17,840
Depreciation and amortization expense	3,048	5,328	2,658	1,075
Other operating expenses(1)	3,715	1,668		2,139
Total operating expenses	15,576	32,181	13,751	21,054
Operating (loss) income	(6,530)	(217)	3,841	12,984
Other expense:				
Interest expense	332	856	418	516
Other	1	112	112	(1)
Total other expense	333	968	530	515
(Loss) income before (benefit) provision for income taxes	(6,863)	(1,185)	3,311	12,469
(Benefit) provision for income taxes	(2,697)	(122)	1,451	5,237
Net (loss) income	(4,166)	(1,063)	1,860	7,232
Accrued dividends on 8% preferred stock	646	1,066	516	558
Net (loss) income attributable to common stockholders	$ (4,812)	$ (2,129)	$ 1,344	$ 6,674
Net (loss) income attributable to common stockholders per share:				
Basic	$ (0.41)	$ (0.18)	$ 0.05	$ 0.50
Diluted	$ (0.41)	$ (0.18)	$ 0.05	$ 0.47
Weighted average shares used in calculating net (loss) income attributable to common stockholders per share:				
Basic	11,803	11,871	11,806	12,011
Diluted	11,803	11,871	12,357	13,005
Cash dividend per common share(2)				$ 0.09
Unaudited pro forma net (loss) income attributable to common stockholders(3)		$ (580)		$ 7,477
Unaudited pro forma net (loss) income attributable to common stockholders per share(3):				
Basic		$ (0.04)		$ 0.50
Diluted		$ (0.04)		$ 0.47

Unaudited pro forma weighted average shares outstanding used in calculating unaudited pro forma net (loss) income attributable to common stockholders per share(4):				
Basic		14,787		14,981
Diluted		14,787		15,975

Other operating data (unaudited):

Number of consultants (at end of period)(5)	262	477	355	499
Utilization rate(6)	57.3%	66.1%	72.4%	72.6%
Average billing rate per hour(7)	$ 206	$ 217	$ 224	$ 238

(See footnotes on the following page.)

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Consolidated balance sheet data:	As of June 30, 2004 Actual	Pro forma as adjusted
	(unaudited) (in thousands)	
Cash and cash equivalents	$ 943	$ 18,461
Working capital	16,838	34,759
Total assets	48,932	66,450
Long-term debt (consisting of 8% promissory notes)	10,076	
Total 8% preferred stock	14,770	
Total stockholders (deficit) equity	(170)	42,597

(1) *Other operating expenses consist of management and advisory fees paid to related parties and organizational costs totaling $3,715 for the period from March 19, 2002 (inception) to December 31, 2002, a loss on lease abandonment of $1,668 for the year ended December 31, 2003 and a restructuring charge of $2,139 for the six months ended June 30, 2004.*

(2) *On May 12, 2004, we declared a special dividend on each outstanding share of our common stock and 8% preferred stock payable to holders of record on May 25, 2004. We paid the special dividend on June 29, 2004. The 8% preferred stock participated on an as converted basis. The aggregate amount of the dividend was $1.25 million, or $0.09 per share of common stock and $22.18 per share of 8% preferred stock. Other than the special dividend, we have not declared or paid any dividends on our common stock since our inception and do not intend to pay any dividends on our common stock in the foreseeable future. See Dividend policy.*

(3) *The total pro forma adjustments to net (loss) income attributable to common stockholders are approximately $1,549 and $803 for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively. The adjustments consist of an adjustment of approximately $1,066 and $558 for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively, to eliminate the accrued preferred stock dividends associated with our outstanding 8% preferred stock and an adjustment of approximately $483 and $245 for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively, to eliminate the interest expense, net of tax expense, related to our outstanding 8% promissory notes. We will redeem the 8% preferred stock and repay the 8% promissory notes with a portion of the net proceeds from this offering as discussed in the section of this prospectus entitled Use of proceeds.*

(4) *The pro forma weighted average shares outstanding represents an increase of 2,916 and 2,970 weighted average shares as of December 31, 2003 and June 30, 2004, respectively, related to the issuance of shares that would have been issued by us in this offering, based on an assumed public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, less estimated underwriting discounts and commissions and offering expenses payable by us, in order to redeem our outstanding 8% preferred stock (including the liquidation participation amount) and repay our outstanding 8% promissory notes, as if these transactions occurred at the beginning of each period. See Use of Proceeds. The pro forma weighted average shares outstanding also includes the issuance of 769,700 shares of restricted common stock as of December 31, 2003 and June 30, 2004 as if this issuance also occurred at the beginning of each period. We intend to issue these shares of restricted common stock to our executive officers and certain of our employees on the date of this prospectus.*

(5) *Consultants consist of our billable professionals.*

(6) *We calculate the utilization rate for our consultants by dividing the number of hours all of our consultants worked on client assignments during a period by the total available working hours for all of our consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.*

(7) *Average billing rate per hour 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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Risk factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks below before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. In such an event, the trading price of our common stock could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

Our inability to retain our senior management team and other managing directors would be detrimental to the success of our business.

We rely heavily on our senior management team, including Gary Holdren, our Chief Executive Officer, and George Massaro, our Chief Operating Officer, and other managing directors, and our ability to retain them is particularly important to our future success. Given the highly specialized nature of our services, these people must have a thorough understanding of our service offerings as well as the skills and experience necessary to manage an organization consisting of a diverse group of professionals. In addition, we rely on our senior management team and other managing directors to generate and market our business. Further, in light of our limited operating history, our senior management s and other managing directors personal reputations and relationships with our clients are a critical element in obtaining and maintaining client engagements. Although we enter into non-solicitation agreements with our senior management team and other managing directors, we do not enter into non-competition agreements. Accordingly, members of our senior management team and our other managing directors are not contractually prohibited from leaving or joining one of our competitors, and some of our clients could choose to use the services of that competitor instead of our services. If one or more members of our senior management team or our other managing directors leave and we cannot replace them with a suitable candidate quickly, we could experience difficulty in securing and successfully completing engagements and managing our business properly, which could harm our business prospects and results of operations.

Our senior management team and our other managing directors will receive substantial financial benefits as a result of this offering, which may reduce the financial incentive for them to stay with us.

Our senior management team and our other managing directors collectively hold options to purchase 1,502,630 shares of our common stock. Of these, options to purchase 145,608 shares are currently vested, options to purchase 420,659 shares will vest upon consummation of this offering pursuant to their terms and the remaining options to purchase 936,363 will fully vest at various times over the next four years. These options have exercise prices ranging from $0.02 to $1.96 per share. An individual may be more likely to leave us after their options fully vest, especially if the shares underlying the options have significantly appreciated in value relative to the option exercise price. In addition, a trust for the benefit of the family of Mr. Holdren, our Chief Executive Officer, holds 521,740 shares of restricted common stock that he purchased for $0.02 per share, of which 163,043 shares are currently vested and the remaining 358,697 will fully vest immediately prior to the consummation of this offering. On the date of this prospectus, we intend to grant 769,700 shares of restricted common stock to our executive officers and certain of our employees. The restricted shares will vest over a four year period, with 25% vesting on each anniversary of the grant date during that period. Our executive officers who will be granted shares of restricted common stock are Messrs. Holdren, Massaro, Burge and Broadhurst, Ms. Delgado and Ms. Sawall, who will be granted 158,700, 32,600, 10,900, 10,900, 8,700 and 6,500 shares of restricted common stock, respectively. In addition, we intend to grant options to purchase 75,800 shares of our common stock to certain of our employees on the date of this prospectus, including one of

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our executive officers, Ms. Delgado, who will receive options to purchase 13,100 shares of our common stock. These options will have a per share exercise price equal to the public offering price and will vest over a four-year period, with 25% vesting on each anniversary of the grant date during that period. We also intend to grant to each of our independent directors options exercisable for 13,333 shares of our common stock, assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus. These options will have a per share exercise price equal to the public offering price and will vest over a three-year period, with one-third vesting on the grant date and one-third vesting on the date of each of the next two annual meetings.

In addition, some of our executive officers and other managing directors, each of our board members and a director nominee are members of HCG Holdings LLC, which is our parent and the selling stockholder, and collectively hold 5.7% of the common interests and 6.4% of the preferred interests in HCG Holdings LLC. Our executive officers, board members and the director nominee holding interests in HCG Holdings LLC are Messrs. Holdren, Massaro, Burge, Broadhurst and McCartney. These individuals collectively hold 2.1% of the common interests and 2.3% of the preferred interests in HCG Holdings LLC. If any of the above-described individuals realize substantial financial benefits as a result of their securities ownership in us or HCG Holdings LLC, their financial incentive to stay with us may be reduced. These individuals already realized a financial benefit when HCG Holdings LLC used the proceeds it received from the special dividend that we paid on June 29, 2004 together with other funds of HCG Holdings LLC to redeem a portion of its outstanding preferred interests on a pro rata basis, including a portion of the preferred interests held by these people. In connection with this redemption, Messrs. Broadhurst, Burge, Holdren, Massaro and McCartney received an aggregate amount of approximately $4,540, $4,540, $90,788, $9,079 and $4,540, respectively, of which approximately $1,097, $1,097, $21,933, $2,193 and $1,097, respectively, was paid out of the proceeds of the dividend. These individuals will also realize a financial benefit if HCG Holdings LLC makes a distribution to its members of the proceeds it receives from (1) the sale of the shares being offered by it in this offering, (2) the redemption of the 8% preferred stock and (3) the repayment of the 8% promissory notes held by HCG Holdings LLC. Assuming that this offering is consummated at a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, and HCG Holdings LLC distributes the entire amount of its proceeds from the foregoing transactions, we estimate that Messrs. Broadhurst, Burge, Holdren, Massaro and McCartney will receive a payment of approximately $43,800, $43,800, $875,000, $87,500 and $43,800, respectively.

Our inability to hire and retain talented people in an industry where there is great competition for talent could have a serious negative effect on our prospects and results of operations.

Our business involves the delivery of professional services and is highly labor-intensive. Our success depends largely on our general ability to attract, develop, motivate and retain highly skilled consultants. The loss of a significant number of our consultants or the inability to attract, hire, develop, train and retain additional skilled personnel could have a serious negative effect on us, including our ability to manage, staff and successfully complete our existing engagements and obtain new engagements. Qualified consultants are in great demand, and we face significant competition for both senior and junior consultants with the requisite credentials and experience. Our principal competition for talent comes from other consulting firms, accounting firms and technical and economic advisory firms, as well as from organizations seeking to staff their internal professional positions. Many of these competitors may be able to offer significantly greater compensation and benefits or more attractive lifestyle choices, career paths or geographic locations than we do. Therefore, we may not be successful in attracting and retaining the skilled consultants we require to conduct and expand our operations successfully. Increasing competition for these consultants may also significantly increase our labor costs, which could negatively affect our margins and results of operations.

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Risk factors

We have experienced net losses for most of our history, and our limited operating history makes evaluating our business difficult.

We have been operating since May 2002. For the period from March 19, 2002 (inception) through December 31, 2002 and for the year ended December 31, 2003, we experienced net losses of $4.2 million and $1.1 million, respectively. Although we generated net income of $7.2 million for the six months ended June 30, 2004, we may not sustain profitability in the future. For example, we generated net income of $1.9 million for the six months ended June 30, 2003, but experienced a net loss for the year ended December 31, 2003. Our net losses, among other things, have had, and should net losses occur in the future, will have, an adverse effect on our stockholders equity and working capital. As of June 30, 2004, we had a total stockholders deficit of $0.2 million. To sustain profitability, we must:

- attract, integrate, retain and motivate highly qualified consultants;
- achieve and maintain adequate utilization and suitable billing rates for our consultants;
- expand our existing relationships with our clients and identify new clients in need of our services;
- maintain and enhance our brand recognition; and
- adapt to meet changes in our markets and competitive developments.

We may not be successful in accomplishing these objectives. Further, our limited operating history makes it difficult to evaluate our business and prospects. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in highly competitive industries. The historical information in this prospectus may not be indicative of our future financial condition and future performance. For example, we expect that our future annual growth rate in revenues will moderate and likely be less than the growth rates experienced in 2003 and the first six months of 2004.

If we are unable to manage the growth of our business successfully, we may not be able to sustain profitability.

We have grown significantly since we commenced operations, more than doubling the number of our consultants from 213 on May 31, 2002 to 486 as of September 17, 2004. As we continue to increase the number of our consultants, we may not be able to successfully manage a significantly larger workforce. Additionally, our significant growth has placed demands on our management and our internal systems, procedures and controls and will continue to do so in the future. To successfully manage growth, we must add administrative staff and periodically update and strengthen our operating, financial, accounting and other systems, procedures and controls, which will increase our costs and may adversely affect our gross profits and our ability to sustain profitability if we do not generate increased revenues to offset the costs. This need to augment our support infrastructure due to growth is compounded by our decision to become a public reporting company and the increased expense that will arise in complying with existing and new regulatory requirements. As a public company, our information and control systems must enable us to prepare accurate and timely financial information and other required disclosure. If we discover deficiencies in our existing information and control systems that impede our ability to satisfy our reporting requirements, we must successfully implement improvements to those systems in an efficient and timely manner.

Our financial results could suffer if we are unable to achieve or maintain adequate utilization and suitable billing rates for our consultants.

Our profitability depends to a large extent on the utilization and billing rates of our consultants. Utilization of our consultants is affected by a number of factors, including:

Ø the number and size of client engagements;

Ø the timing of the commencement, completion and termination of engagements, which in many cases is unpredictable;

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Risk factors

- our ability to transition our consultants efficiently from completed engagements to new engagements;
- the hiring of additional consultants because there is generally a transition period for new consultants that results in a temporary drop in our utilization rate;
- unanticipated changes in the scope of client engagements;
- our ability to forecast demand for our services and thereby maintain an appropriate level of consultants; and
- conditions affecting the industries in which we practice as well as general economic conditions.

The billing rates of our consultants that we are able to charge are also affected by a number of factors, including:

- our clients perception of our ability to add value through our services;
- the market demand for the services we provide;
- introduction of new services by us or our competitors;
- our competition and the pricing policies of our competitors; and
- general economic conditions.

If we are unable to achieve and maintain adequate overall utilization as well as maintain or increase the billing rates for our consultants, our financial results could materially suffer.

A significant portion of our revenues are derived from a limited number of clients, and our engagement agreements, including those related to our largest clients, can be terminated by our clients with little or no notice and without penalty, which may cause our operating results to be unpredictable.

As a consulting firm, we have derived, and expect to continue to derive, a significant portion of our revenues from a limited number of clients. Our ten largest clients accounted for 36.3% of our revenues in the partial year ended December 31, 2002, 32.1% of our revenues in the year ended December 31, 2003 and 32.5% of our revenues in the six months ended June 30, 2004. Our clients typically retain us on an engagement-by-engagement basis, rather than under fixed-term contracts, and the volume of work performed for any particular client is likely to vary from year to year, and a major client in one fiscal period may not require or decide to use our services in any subsequent fiscal period. Accordingly, the failure to obtain new large engagements or multiple engagements from existing or new clients could have a material adverse effect on the amount of revenues we generate.

In addition, almost all of our engagement agreements can be terminated by our clients with little or no notice and without penalty. For example, in engagements related to litigation, if the litigation were to be settled, our engagement for those services would no longer be necessary and therefore would be terminated. In client engagements that involve multiple engagements or stages, there is a risk that a client may choose not to retain us for additional stages of an engagement or that a client will cancel or delay additional planned engagements. These terminations, cancellations or delays could result from factors unrelated to our services or the progress of the engagement. When engagements are terminated, we lose the associated future revenues, and we may not be able to recover associated costs or redeploy the affected employees in a timely manner to minimize the negative impact. In addition, our clients ability to terminate engagements with little or no notice and without penalty makes it difficult to predict our operating results in any particular fiscal period.

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Risk factors

Our ability to maintain and attract new business depends upon our reputation, the professional reputation of our consultants and the quality of our services.

As a professional services firm, our ability to secure new engagements depends heavily upon our reputation and the individual reputations of our consultants. Any factor that diminishes our reputation or that of our consultants, including not meeting client expectations or misconduct by our consultants, could make it substantially more difficult for us to attract new engagements and clients. Similarly, because we obtain many of our new engagements from former or current clients or from referrals by those clients or by law firms that we have worked with in the past, any client that questions the quality of our work or that of our consultants could impair our ability to secure additional new engagements and clients.

The consulting services industry is highly competitive, and we may not be able to compete effectively.

The consulting services industry in which we operate includes a large number of participants and is intensely competitive. We face competition from other business operations and financial consulting firms, general management consulting firms, the consulting practices of major accounting firms, technical and economic advisory firms, regional and specialty consulting firms and the internal professional resources of organizations. In addition, because there are relatively low barriers to entry, we expect to continue to face additional competition from new entrants into the business operations and financial consulting industries. We have six core offices and two smaller offices in the United States and do not have any international offices. Many of our competitors have a greater national presence and are also international in scope, as well as have significantly greater personnel, financial, technical and marketing resources. In addition, these competitors may generate greater revenues and have greater name recognition than we do. Our ability to compete also depends in part on the ability of our competitors to hire, retain and motivate skilled consultants, the price at which others offer comparable services and our competitors   responsiveness to their clients. If we are unable to compete successfully with our existing competitors or with any new competitors, our financial results will be adversely affected.

Additional hiring and any acquisitions could disrupt our operations, increase our costs or otherwise harm our business.

Our business strategy is dependent in part upon our ability to grow by hiring individuals or groups of consultants and by potentially acquiring complementary businesses. However, we may be unable to identify, hire, acquire or successfully integrate new consultants and complementary businesses without substantial expense, delay or other operational or financial problems. Competition for future hiring and acquisition opportunities in our markets could increase the compensation we offer to potential consultants or the price we pay for businesses we wish to acquire. In addition, we may be unable to achieve the financial, operational and other benefits we anticipate from any hiring or acquisition. Hiring additional consultants or acquiring complementary businesses could also involve a number of additional risks, including:

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

Ø the failure to retain key acquired personnel;

Ø potential impairment of existing relationships with our clients, such as client satisfaction or performance problems, whether as a result of integration or management difficulties or otherwise;

Ø the creation of conflicts of interest that require us to decline or resign from engagements that we otherwise could have accepted;

- Ø the potential need to raise significant amounts of capital to finance a transaction or the potential issuance of equity securities that could be dilutive to our existing stockholders;

- increased costs to improve, coordinate or integrate managerial, operational, financial and administrative systems; and

- difficulties in integrating diverse backgrounds and experiences of consultants, including if we experience a transition period for newly hired consultants that results in a temporary drop in our utilization rates or margins.

If we fail to successfully address these risks, our ability to compete may be impaired.

If the number of large bankruptcies continues to decline or other factors cause a decrease in demand for our corporate advisory services, our revenues and profitability could suffer.

Our corporate advisory services practice provides various turnaround, restructuring and bankruptcy services to companies in financial distress or their creditors or other stakeholders. This practice accounted for 30.7% and 27.0% of our revenues for the year ended December 31, 2003 and six months ended June 30, 2004, respectively. We are typically engaged in connection with a bankruptcy case when the bankruptcy is of the size and complexity that generally requires the debtor or other constituents to retain the services of financial advisors. A number of other factors also affect demand for this practice. These factors include:

- over-expansion by various businesses;

- management s inability to address critical operational and financial issues;

- the level of lending activity and over-leveraging of companies; and

- challenging general economic conditions in the United States, which have benefited our corporate advisory services practice since we commenced operations.

If the number of large bankruptcies continues to decline or other factors cause a decrease in demand for our corporate advisory services, the revenues from our turnaround, restructuring and bankruptcy services could decline, which could harm our ability to sustain profitability.

We face an increased risk of fee nonpayment or reduced payment in our corporate advisory services practice.

Many of the clients in our corporate advisory services practice have engaged us because they are experiencing financial distress. These clients may not have sufficient funds to continue operations or to pay for our services. We usually do not receive retainers before we begin performing services on a client s behalf in connection with our restructuring business, and we are not always able to obtain retainers from clients in bankruptcy as the bankruptcy court must approve our retainers for those clients. When we do receive retainers, the retainers may not adequately cover our fees for the services we perform on behalf of these clients. Even if a bankruptcy court approves our retainer or engagement, a bankruptcy court has the discretion to require us to return all, or a portion of, our fees or to reduce our fees for the duration of the engagement. Therefore, we face the risk of nonpayment or reduced payment, either of which can result in write-offs.

The profitability of our fixed-fee engagements with clients may not meet our expectations if we underestimate the cost of these engagements.

Fixed-fee engagements generated approximately 11.9% and 12.3% of our revenues for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively. When making proposals for fixed-fee engagements, we estimate the costs and timing for completing the engagements. These estimates reflect our best judgment regarding the efficiencies of our methodologies and consultants as we plan to deploy them on engagements. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-fee engagements, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable, which would have an adverse effect on our profit margin.

Risk factors

Revenues from our performance-based engagements are difficult to predict, and the timing and extent of recovery of our costs is uncertain.

From time to time, primarily in our corporate advisory services and strategic sourcing practices, we enter into engagement agreements under which our fees include a significant performance-based component. Performance-based fees are contingent on the achievement of specific measures, such as our clients meeting cost-saving or other contractually defined goals. The achievement of these contractually-defined goals is often impacted by factors outside of our control, such as the actions of our client or third parties. Because performance-based fees are contingent, revenues on such engagements, which are recognized when all revenue recognition criteria are met, are not certain and the timing of receipt is difficult to predict and may not occur evenly throughout the year. While performance-based fees comprised 3.3% and 6.9% of our revenues for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively, we intend to continue to enter into performance-based fee arrangements and these engagements may impact our revenues to a greater extent in the future. Should performance-based fee arrangements represent a greater percentage of our business in the future, we may experience increased volatility in our working capital requirements and greater variations in our quarter-to-quarter results, which could affect the price of our common stock. In addition, an increase in the proportion of performance-based fee arrangements may offset the positive effect on our operating results from increases in our utilization rate or average billing rate per hour.

Conflicts of interest could preclude us from accepting engagements thereby causing decreased utilization and revenues.

We provide services in connection with bankruptcy proceedings and litigation proceedings that usually involve sensitive client information and frequently are adversarial. In connection with bankruptcy proceedings, we are required by law to be disinterested and in litigation we would generally be prohibited from performing services in the same litigation for the party adverse to our client. In addition, our engagement agreement with a client or other business reasons may preclude us from accepting engagements with our clients competitors or adversaries. As we increase the size of our operations, the number of conflict situations can be expected to increase. Moreover, in many industries in which we provide services, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of companies that may seek our services and increase the chances that we will be unable to accept new engagements as a result of conflicts of interest. If we are unable to accept new engagements for any reason, our consultants may become underutilized, which would adversely affect our revenues and results of operations in future periods.

Expanding our service offerings or number of offices may not be profitable.

We may choose to develop new service offerings or open new offices because of market opportunities or client demands. Developing new service offerings involves inherent risks, including:

Ø our inability to estimate demand for the new service offerings;

Ø competition from more established market participants;

Ø a lack of market understanding; and

Ø unanticipated expenses to recruit and hire qualified consultants and to market our new service offerings.

In addition, expanding into new geographic areas and/or expanding current service offerings is challenging and may require integrating new employees into our culture as well as assessing the demand in the applicable market. For example, in August 2003, we established a small office in Palo Alto, California to service the Silcon Valley marketplace and, in September 2003, we established a small office in Miami, Florida to deepen our corporate finance capabilities. These offices did not meet our expectations and, therefore, we subsequently closed those offices and incurred a restructuring charge of

$2.1 million in the six months ended June 30, 2004. In September 2004, we decided to eliminate a service offering of a practice area in our operational consulting segment that was not meeting our expectations. Additionally, in a continual effort to streamline our operations and allocate resources more appropriately, we reduced our headcount in certain other practice areas across both segments. In connection with these actions, we expect to record charges in the third quarter of approximately $2.1 million for severance payments. If we cannot manage the risks associated with new service offerings or new locations effectively, we are unlikely to be successful in these efforts, which could harm our ability to sustain profitability and our business prospects.

Our engagements could result in professional liability, which could be very costly and hurt our reputation.

Our engagements typically involve complex analyses and the exercise of professional judgment. As a result, we are subject to the risk of professional liability. If a client questions the quality of our work, the client could threaten or bring a lawsuit to recover damages or contest its obligation to pay our fees. Litigation alleging that we performed negligently or breached any other obligations to a client could expose us to significant legal liabilities and, regardless of outcome, is often very costly, could distract our management and could damage our reputation. We are not always able to include provisions in our engagement agreements that are designed to limit our exposure to legal claims relating to our services. Even if these limiting provisions are included in an engagement agreement, they may not protect us or may not be enforceable under some circumstances. In addition, we carry professional liability insurance to cover many of these types of claims, but the policy limits and the breadth of coverage may be inadequate to cover any particular claim or all claims plus the cost of legal defense. For example, we provide services on engagements in which the impact on a client may substantially exceed the limits of our errors and omissions insurance coverage. If we are found to have professional liability with respect to work performed on such an engagement, we may not have sufficient insurance to cover the entire liability.

Our intellectual property rights in our Huron Consulting Group name are important, and any inability to use that name could negatively impact our ability to build brand identity.

We believe that establishing, maintaining and enhancing the Huron Consulting Group name is important to our business. We are, however, aware of a number of other companies that use names containing Huron. There could be potential trade name or service mark infringement claims brought against us by the users of these similar names and marks and those users may have trade name or service mark rights that are senior to ours. If another company were to successfully challenge our right to use our name, or if we were unable to prevent a competitor from using a name that is similar to our name, our ability to build brand identity could be negatively impacted.

We or some of our consultants could be named in lawsuits because we were founded by former Arthur Andersen LLP partners and professionals and contracted with Arthur Andersen for releases from non-competition agreements.

We were founded by a core group of consultants that consisted primarily of former Arthur Andersen LLP partners and professionals, and we entered into a contract with Arthur Andersen to release these partners and professionals from non-competition agreements with Arthur Andersen. These circumstances might lead creditors of Arthur Andersen and other parties to bring claims against us or some of our managing directors or other consultants seeking recoveries for liabilities of Arthur Andersen and we may not be able to successfully avoid liability for such claims. In addition, litigation of this nature or otherwise could divert the time and attention of our managing directors and consultants, and we could incur substantial defense costs.

As a holding company, we are totally dependent on distributions from our operating subsidiary to pay dividends or other obligations and there may also be other restrictions on our ability to pay dividends in the future.

We are a holding company with no business operations. Our only significant asset is the outstanding equity interest of our wholly-owned operating subsidiary. As a result, we must rely on payments from our subsidiary to meet our obligations. We currently expect that the earnings and cash flow of our subsidiary will primarily be retained and used by it in its operations, including servicing any debt obligations it may have now or in the future. Accordingly, although we do not anticipate paying any dividends in the foreseeable future, our subsidiary may not be able to generate sufficient cash flow to distribute funds to us in order to allow us to pay future dividends on, or make any distribution with respect to, our common stock. Our future credit facilities, other future debt obligations and statutory provisions may also limit our ability to pay dividends or make any distribution in respect of our common stock.

RISKS ASSOCIATED WITH PURCHASING OUR COMMON STOCK IN THIS OFFERING

As a new investor, you will incur immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will experience an immediate and substantial dilution of $12.38 in pro forma net tangible book value per share of your investment as described in the section of this prospectus entitled Dilution. This means that the price you pay for the shares you acquire in this offering will be significantly higher than their net tangible book value per share. If we issue additional shares of common stock in the future, you may experience further dilution in the net tangible book value of your shares. Likewise, you will incur additional dilution if the holders of outstanding options to purchase shares of our common stock at prices below our net tangible book value per share exercise their options after this offering. As of September 17, 2004, there were 1,670,041 shares of common stock issuable upon the exercise of outstanding stock options, with a weighted average exercise price of $0.75 per share.

Sales of a substantial number of shares of our common stock following this offering may adversely affect the market price of our common stock, and the issuance of additional shares will dilute all other stockholdings.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that large sales could occur, could cause the market price of our common stock to decline or limit our future ability to raise capital through an offering of equity securities. After completion of this offering, there will be 16,285,960 shares of our common stock outstanding, including the 769,700 shares of restricted common stock that we intended to grant on the date of this prospectus to our executive officers and certain of our employees. All of the shares of common stock sold in this offering will be freely tradable without restriction or further registration under the federal securities laws unless purchased by our affiliates within the meaning of Rule 144 under the Securities Act. All of the remaining 11,285,960 shares of outstanding common stock, representing approximately 69% of the outstanding common stock upon completion of this offering, will be restricted securities under the Securities Act, subject to restrictions on the timing, manner and volume of sales of those shares. Upon consummation of this offering, HCG Holdings LLC and Gary E. Holdren will be entitled to certain registration rights with respect to 10,005,881 restricted securities. In addition, our certificate of incorporation permits the issuance of up to 500,000,000 shares of common stock. After this offering, we estimate that we will have an aggregate of approximately 483,714,040 shares of our common stock authorized but unissued. Thus, we have the ability to issue substantial amounts of common stock in the future, which would dilute the percentage ownership held by the investors who purchase our shares in this offering.

The company, each member of our board of directors, each of our director nominees, each of our executive officers and managing directors and the selling stockholder have agreed for a period of at least 180 days after the date of this prospectus, to not, without the prior written consent of UBS Securities

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Risk factors

LLC and Deutsche Bank Securities Inc., directly or indirectly, offer to sell, sell, pledge or otherwise dispose of any shares of our common stock, subject to certain permitted exceptions. Following the expiration of the lock-up period, 11,182,442 shares of common stock subject to these agreements, including shares issuable upon the exercise of vested options 180 days after the date of this prospectus, will be available for sale in the public market, subject to the vesting of the restricted common stock during the lock-up period and the restrictions on sales of restricted securities under the Securities Act.

We have adopted three equity incentive plans and, prior to the consummation of the offering, we intend to adopt a new equity incentive plan. See Management Equity Incentive Plans for further information regarding our equity incentive plans. Following the effectiveness of the registration statement of which this prospectus forms a part, we intend to file a registration statement on Form S-8 under the Securities Act covering the 2,141,000 shares that will be reserved for issuance under our new plan as well as the shares reserved for issuance upon the exercise of options outstanding under our three existing plans, which as of September 17, 2004 was 1,670,041. Accordingly, subject to applicable vesting requirements and exercise with respect to options, the provisions of Rule 144 with respect to affiliates and, if applicable, expiration of the 180-day lock-up agreements, shares registered under that registration statement will be available for sale in the open market. As soon as practicable following the filing of the Form S-8 registration statement, we intend to grant 769,700 shares of restricted common stock to certain of our executive officers and employees, options exercisable for 75,800 shares of our common stock, with a per share exercise price equal to the public offering price, to one of our executive officers and certain of our employees, and options exercisable for 13,333 shares of our common stock, with a per share exercise price equal to the public offering price and assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, to each of our independent directors.

For a more detailed description of additional shares that may be sold in the future, see the sections of this prospectus captioned Shares eligible for future sale and Underwriting.

Because HCG Holdings LLC will have the ability to continue to control us after this offering, the influence of our public stockholders over significant corporate actions will be limited.

After the completion of this offering, HCG Holdings LLC will control approximately 59% of our outstanding common stock, or approximately 54% if the underwriters exercise their over-allotment option in full. As a result, after this offering, HCG Holdings LLC will continue to have the power to control all matters submitted to our stockholders, including the election of our directors and amendments to our certificate of incorporation, and will have the ability to approve or prevent any transaction that requires the approval of stockholders regardless of whether or not other stockholders believe that any such transactions are in their own best interests. So long as HCG Holdings LLC continues to own a significant amount of the outstanding shares of our common stock, it will continue to be able to strongly influence or effectively control our decisions.

Conflicts of interests between HCG Holdings LLC and us or you could arise in the future.

Conflicts of interests between HCG Holdings LLC and us or you could arise in the future, and these conflicts may not be resolved in our or your favor. For instance, Lake Capital Partners LP and its affiliates, which control HCG Holdings LLC, are in the business of making investments in companies and have, and may from time to time acquire and hold, interests in businesses that compete directly or indirectly with us. These entities may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. In addition, HCG Holdings LLC, through its significant ownership interest in us, may seek to cause us to take courses of action that, in its judgment, could enhance its investment in us, but which might involve risks to, or otherwise adversely affect, us or you.

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Risk factors

In addition, after this offering, some of our executive officers and managing directors and a number of our board members will continue to be members of and hold equity interests in HCG Holdings LLC. These relationships with HCG Holdings LLC could create, or appear to create, potential conflicts of interests when these individuals are faced with decisions that could have different implications for our company and HCG Holdings LLC.

Our common stock does not have a trading history, and you may not be able to trade our common stock if an active trading market does not develop.

Prior to this offering, there has been no public market for our common stock. We have applied for quotation of our common stock on the NASDAQ National Market under the symbol HURN. Although the underwriters have informed us that they intend to make a market in our common stock, they are not obligated to do so, and any market-making may be discontinued at any time without notice. Therefore, an active trading market for our common stock may not develop or, if it does develop, may not continue. As a result, the market price of our common stock, as well as your ability to sell our common stock, could be adversely affected.

The value of your investment may be subject to sudden decreases due to the potential volatility of the price of our common stock.

The market price of our common stock may be highly volatile and subject to wide fluctuations in response to numerous factors, including the factors discussed in other risk factors, which could also cause variations in our quarterly results of operations, and the following factors:

- press releases or publicity relating to us or our competitors or relating to trends in the industry;
- changes in the legal or regulatory environment affecting businesses to which we provide services;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- the operating and stock performance of other companies that investors may deem comparable;
- inability to meet quarterly or annual estimates or targets of our performance; and
- general domestic or international economic, market and political conditions.

These factors may adversely affect the trading price of our common stock, regardless of our actual operating performance, and could prevent you from selling your common stock at or above the initial public offering price. In addition, the stock markets from time to time experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies.

In the past, some stockholders have brought securities class action lawsuits against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation, regardless of whether we are ultimately successful, could result in substantial costs and divert management s attention and resources.

Provisions of our certificate of incorporation and our bylaws could delay or prevent a takeover of us by a third party.

Our certificate of incorporation and bylaws could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the price of our common stock. For example, our charter and bylaws will:

Ø permit our board of directors to issue one or more series of preferred stock with rights and preferences designated by our board;

Ø impose advance notice requirements for stockholder proposals and nominations of directors to be considered at stockholder meetings;

- stagger the terms of our board of directors into three classes;
- limit the ability of stockholders to remove directors;
- prohibit stockholders from filling vacancies on our board of directors, unless the board of directors submits an election to fill a vacancy to a vote of stockholders;
- prohibit stockholders from calling special meetings of stockholders and from taking action by written consent;
- grant our board of directors the authority to amend and repeal our bylaws without a stockholder vote and require the approval of at least two-thirds of the voting power of all of the shares of our capital stock entitled to vote generally in the election of directors, voting together as a single class, for stockholders to amend or repeal our bylaws; and
- require the approval of not less than two-thirds of the voting power of all of the shares of our capital stock entitled to vote, voting together as a single class, to amend any provision of our charter described in the third through seventh bullet points above or the super majority provision described in this bullet point.

These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors other than the candidates nominated by our board. See Description of capital stock for additional information on the anti-takeover measures applicable to us.

We do not anticipate paying any dividends following the consummation of this offering.

Following the consummation of this offering, we currently expect that we will retain our future earnings, if any, for use in the operation and expansion of our business, and we do not anticipate paying any cash dividends. As a result, our stock may be less attractive to investors who seek dividend payments.

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Special note regarding forward-looking statements

Some of the statements under Prospectus summary, Risk factors, Management s discussion and analysis of financial condition and results of operations, Business and elsewhere in this prospectus constitute forward-looking statements that reflect our current expectation about our future results, levels of activity, performance or achievements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, could, expects, plans, intends, anticipates, believes, estimates, predicts, potential or continue or th other comparable terminology. These statements involve known and unknown risks, uncertainties and other factors, including, among others, those described under Risk factors and elsewhere in this prospectus, that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Therefore, you should not place undue reliance on our forward-looking statements. Except to the extent required by applicable securities laws, we are under no duty and do not intend to update any of the forward-looking statements after the date of this prospectus.

Use of proceeds

We estimate that the net proceeds that we will receive from our sale of 3,333,333 shares of common stock in this offering will be $42.8 million, assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares by the selling stockholder.

We currently estimate that we will use our net proceeds from this offering for the following:

- approximately $15.1 million to exercise our option to redeem our outstanding 8% preferred stock;
- approximately $10.7 million to repay our outstanding 8% promissory notes, including accrued and unpaid interest;
- an amount sufficient to repay any borrowings outstanding under our credit agreement at the time of the consummation of this offering; and
- the balance for general corporate purposes, including working capital.

The redemption amount of the 8% preferred stock is equal to the original issuance price of $1,000 per share plus cumulative dividends that will have accrued on a daily basis from the date of investment through the date of the redemption at a rate of 8% per annum, compounded annually, together with a liquidation participation amount. The liquidation participation amount is calculated as if we were liquidated on the date of the redemption and the excess of our assets over our liabilities (with the liabilities including, for purposes of this calculation, the aggregate stated value of all outstanding shares of preferred stock and all accrued and unpaid interest) were distributed on a share for share basis among the holders of preferred stock and common stock. We expect the redemption date to be within two business days after the consummation of this offering.

The 8% promissory notes were issued at various times in 2002 and mature five years and six months from the date of issuance, subject to mandatory prepayment upon the occurrence of specified events, including the consummation of this offering. Interest on the promissory notes, which is payable annually, accrues at a rate of 8% per year.

Borrowings under the credit agreement bear interest at either the prime rate or LIBOR plus 2.75% and are secured by substantially all of our assets. Borrowings under the credit agreement are payable at the expiration of the agreement in February 2005, subject to our compliance with a covenant that requires that we have an uninterrupted 30-day period each year with no loans outstanding. There were no borrowings outstanding under the credit agreement as of June 30, 2004 and September 23, 2004.

HCG Holdings LLC, our parent and the selling stockholder in this offering, currently owns approximately 93% of our common stock and all of our outstanding 8% preferred stock and 8% promissory notes. HCG Holdings LLC is controlled by Lake Capital Partners LP and Lake Capital

Management LLC. The remaining equity interests in HCG Holdings LLC are held by certain other institutional investors, some of our executive officers and 24 of our other managing directors, each of our board members, a director nominee and 31 other holders. Our executive officers, board members and the director nominee holding interests in HCG Holdings LLC are Messrs. Holdren, Massaro, Burge, Broadhurst and McCartney. If, as we expect, HCG Holdings LLC distributes to its members all of the proceeds it receives from the sale of the 1,666,667 shares of common stock being offered by it in this offering, assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, the redemption of the 8% preferred stock and the repayment of the 8%

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Use of proceeds

promissory notes, we estimate that Messrs. Broadhurst, Burge, Holdren, Massaro and McCartney will receive a payment of approximately $43,800, $43,800, $875,000, $87,500 and $43,800, respectively.

We will retain broad discretion in the allocation of the net proceeds of this offering that are not used to redeem the 8% preferred stock, repay our outstanding 8% promissory notes and repay outstanding indebtedness, if any, under our credit agreement. We intend to use the balance of our net proceeds for general corporate purposes, including working capital. Should we determine to employ cash resources for the acquisition of complementary businesses or services, the amounts available for general corporate purposes may be significantly reduced. Although we evaluate potential acquisitions in the ordinary course of business, we have no specific understandings, commitments or agreements with respect to any acquisition or investment at this time.

Until we use the net proceeds of this offering for general corporate purposes, we intend to invest the funds in short-term, investment-grade, interest-bearing securities. We cannot predict whether the proceeds invested will yield a favorable return.

Dividend policy

On May 12, 2004, we declared a special dividend on each outstanding share of our common stock and 8% preferred stock payable to holders of record on May 25, 2004. We paid the special dividend on June 29, 2004. The 8% preferred stock participated on an as converted basis. The aggregate amount of the dividend was $1.25 million, or $0.09 per share of common stock and $22.18 per share of 8% preferred stock. The payment of the special dividend was funded by our available cash balance and by borrowing availability under our credit agreement, which we repaid the following day. Other than the special dividend, we have not declared or paid any dividends on our common stock since our inception and do not intend to pay any dividends on our common stock in the foreseeable future. We currently expect that we will retain our future earnings, if any, for use in the operation and expansion of our business. Future cash dividends, if any, will be at the discretion of our board of directors and will depend upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors the board of directors may deem relevant.

Capitalization

The following table sets forth our capitalization as of June 30, 2004:

Ø on an actual basis;

Ø on a pro forma basis to give effect to the conversion of all of our outstanding shares of Class B common stock into shares of our Class A common stock and the renaming of our Class A common stock to common stock, which will occur immediately prior to the consummation of this offering pursuant to the terms of our certificate of incorporation; and

Ø on a pro forma as adjusted basis to give effect to the foregoing conversion and the following events as if each had occurred on June 30, 2004:

the issuance of 769,700 shares of restricted common stock to our executive officers and certain of our employees, which will occur on the date of this prospectus;

the sale by us of 3,333,333 shares of our common stock in this offering at an assumed public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us;

the use of approximately $14.8 million of our estimated net proceeds to redeem our outstanding 8% preferred stock; and

the use of approximately $10.5 million of our estimated net proceeds to repay our outstanding 8% promissory notes.

For further information regarding the redemption of our 8% preferred stock and the repayment of our outstanding 8% promissory notes, see the section of this prospectus entitled Use of proceeds.

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Capitalization

The information set forth below should be read in conjunction with Selected consolidated financial and other operating data, Management s discussion and analysis of financial condition and results of operations and our financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2004		
	Actual	Pro forma	Pro forma as adjusted
		(unaudited) (in thousands)	
Cash and cash equivalents	$ 943	$ 943	$ 18,461
Long-term debt (consisting of 8% promissory notes)	$ 10,076	$ 10,076	$
Total 8% preferred stock	14,770	14,770	
Stockholders (deficit) equity:			
Class A common stock (renamed common stock immediately prior to the consummation of this offering), par value $.01 per share; 500,000,000 shares authorized; 11,285,592 shares issued and outstanding at June 30, 2004, actual; 12,176,619 shares issued and outstanding, pro forma; and 16,279,652 shares issued and outstanding, pro forma as adjusted	113	122	163
Class B common stock; par value $.01 per share, 6,486,715 shares authorized and 891,027 shares issued and outstanding at June 30, 2004, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	9		
Restricted common stock			(11,546)
Additional paid-in capital	1,224	1,224	55,496
Retained deficit	(1,516)	(1,516)	(1,516)
Total stockholders (deficit) equity	(170)	(170)	42,597
Total capitalization	$ 24,676	$ 24,676	$ 42,597

The outstanding share information as of June 30, 2004 excludes 1,713,041 shares of common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plans, with a weighted average exercise price of $0.76 per share.

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Dilution

Purchasers of our common stock in this offering will suffer an immediate and substantial dilution in net tangible book value per share. Dilution is the amount by which the offering price paid by the purchasers of our common stock exceeds the pro forma as adjusted net tangible book value per share of our common stock after the offering. Pro forma net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of our common stock deemed to be outstanding on the date the book value is determined after giving effect to a 1 for 2.3 reverse stock split of our Class A common stock and Class B common stock, which will occur prior to the consummation of this offering.

At June 30, 2004, we had a net tangible book value of $(0.2) million, or $(0.01) per share of common stock. After giving effect to adjustments relating to this offering as if they had occurred on June 30, 2004, our pro forma as adjusted net tangible book value at June 30, 2004 would have been $42.6 million, or $2.62 per share of common stock. This represents an immediate increase in net tangible book value to existing stockholders of $2.63 per share and an immediate dilution to new investors of $12.38 per share. The adjustments made to determine pro forma as adjusted net tangible book value per share are:

Ø the issuance of 769,700 shares of restricted common stock to our executive officers and certain of our employees, which will occur on the date of this prospectus;

Ø the sale by us of 3,333,333 shares of our common stock in this offering at an assumed public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us;

Ø the use of approximately $14.8 million of our estimated net proceeds to redeem our outstanding 8% preferred stock; and

Ø the use of approximately $10.5 million of our estimated net proceeds to repay our outstanding 8% promissory notes.

For further information regarding the redemption of our 8% preferred stock and the repayment of our outstanding 8% promissory notes, see the section of this prospectus entitled Use of proceeds.

The following table illustrates this per share dilution:

Assumed public offering price per share		$ 15.00
Pro forma net tangible book value per share at June 30, 2004 before this offering	$ (0.01)	
Increase in pro forma net tangible book value per share resulting from this offering	$ 2.63	
Pro forma as adjusted net tangible book value per share at June 30, 2004 after this offering		$ 2.62
Dilution per share to new investors		$ 12.38

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Dilution

The following table summarizes on a pro forma as adjusted basis, as of June 30, 2004, the differences between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total cash consideration paid to us and the average price per share paid by existing stockholders and by new investors purchasing common stock in this offering, assuming a public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus (before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us):

	Shares purchased		Total cash consideration		Average price per share
	Number	%	Amount	%	
Existing stockholders	12,176,619	79%	$ 314,238	0.6%	$ 0.03
New investors	3,333,333	21%	49,999,995	99.4%	$ 15.00
Total	15,509,952	100%	$ 50,314,233	100%	

The discussion and tables above exclude 1,713,041 shares of common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plans as of June 30, 2004, with a weighted average exercise price of $0.76 per share, and 194,419 shares available for future issuance under our equity incentive plans as of June 30, 2004. To the extent that any of our outstanding options are exercised there will be further dilution to new investors.

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Selected consolidated financial and other operating data

We have derived the following selected consolidated financial data as of the end of and for the period from March 19, 2002 (inception) to December 31, 2002 and as of and for the year ended December 31, 2003 from our audited consolidated financial statements, except for the pro forma data. We have derived the following selected consolidated financial data for the six months ended June 30, 2003 and as of and for the six months ended June 30, 2004 from our unaudited interim consolidated financial statements, except for the pro forma data. In the opinion of management, this information contains all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our results of operations and financial position for such periods. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Management s discussion and analysis of financial condition and results of operations and the financial statements and related notes included elsewhere in this prospectus.

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Selected consolidated financial and other operating data

Consolidated statements of operations data:	March 19, 2002 (inception) to December 31, 2002	Year ended December 31, 2003	Six months ended June 30, 2003	Six months ended June 30, 2004
			(unaudited)	
	(in thousands, except per share and other operating data)			
Revenues and reimbursable expenses:				
Revenues	$ 35,101	$ 101,486	$ 46,923	$ 81,604
Reimbursable expenses	2,921	8,808	3,906	7,090
Total revenues and reimbursable expenses	38,022	110,294	50,829	88,694
Direct costs and reimbursable expenses:				
Direct costs	26,055	69,401	29,320	47,591
Reimbursable expenses	2,921	8,929	3,917	7,065
Total direct costs and reimbursable expenses	28,976	78,330	33,237	54,656
Gross profit	9,046	31,964	17,592	34,038
Operating expenses:				
Selling, general and administrative expenses	8,813	25,185	11,093	17,840
Depreciation and amortization expense	3,048	5,328	2,658	1,075
Other operating expenses(1)	3,715	1,668		2,139
Total operating expenses	15,576	32,181	13,751	21,054
Operating (loss) income	(6,530)	(217)	3,841	12,984
Other expense:				
Interest expense	332	856	418	516
Other	1	112	112	(1)
Total other expense	333	968	530	515
(Loss) income before (benefit) provision for income taxes	(6,863)	(1,185)	3,311	12,469
(Benefit) provision for income taxes	(2,697)	(122)	1,451	5,237
Net (loss) income	(4,166)	(1,063)	1,860	7,232
Accrued dividends on 8% preferred stock	646	1,066	516	558
Net (loss) income attributable to common stockholders	$ (4,812)	$ (2,129)	$ 1,344	$ 6,674
Net (loss) income per share attributable to common stockholders:				
Basic	$ (0.41)	$ (0.18)	$ 0.05	$ 0.50
Diluted	$ (0.41)	$ (0.18)	$ 0.05	$ 0.47
Weighted average shares used in calculating net (loss) income attributable to common stockholders per share:				
Basic	11,803	11,871	11,806	12,011

Diluted	11,803	11,871	12,357	13,005
Cash dividend per common share(2)				$ 0.09
Unaudited pro forma net (loss) income attributable to common stockholders(3)		$ (580)		$ 7,477
Unaudited pro forma net (loss) income attributable to common stockholders per share(3):				
Basic		$ (0.04)		$ 0.50
Diluted		$ (0.04)		$ 0.47
Unaudited pro forma weighted average shares outstanding used in calculating unaudited pro forma net (loss) income attributable to common stockholders per share(4):				
Basic		14,787		14,981
Diluted		14,787		15,975

(See footnotes on the following page.)

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Selected consolidated financial and other operating data

Other operating data (unaudited):	March 19, 2002 (inception) to December 31, 2002	Year ended December 31, 2003	Six months ended June 30, 2003	Six months ended June 30, 2004
Number of consultants (at end of period)(5)	262	477	355	499
Utilization rate(6)	57.3%	66.1%	72.4%	72.6%
Average billing rate per hour(7)	$ 206	$ 217	$ 224	$ 238

Consolidated balance sheet data:	As of December 31, 2002	As of December 31, 2003	As of June 30, 2004 (unaudited)
	(in thousands)		
Cash and cash equivalents	$ 4,449	$ 4,251	$ 943
Working capital	9,780	10,159	16,838
Total assets	26,583	39,889	48,932
Long-term debt (consisting of 8% promissory notes)	10,076	10,076	10,076
Total 8% preferred stock	13,146	14,212	14,770
Total stockholders deficit	(4,543)	(6,624)	(170)

(1) Other operating expenses consist of management and advisory fees paid to related parties and organizational costs totaling $3,715 for the period from March 19, 2002 (inception) to December 31, 2002, a loss on lease abandonment of $1,668 for the year ended December 31, 2003 and a restructuring charge of $2,139 for the six months ended June 30, 2004.

(2) On May 12, 2004, we declared a special dividend on each outstanding share of our common stock and 8% preferred stock payable to holders of record on May 25, 2004. We paid the special dividend on June 29, 2004. The 8% preferred stock participated on an as converted basis. The aggregate amount of the dividend was $1.25 million, or $0.09 per share of common stock and $22.18 per share of 8% preferred stock. Other than the special dividend, we have not declared or paid any dividends on our common stock since our inception and do not intend to pay any dividends on our common stock in the foreseeable future. See Dividend policy.

(3) The total pro forma adjustments to net (loss) income attributable to common stockholders are approximately $1,549 and $803 for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively. The adjustments consist of an adjustment of approximately $1,066 and $558 for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively, to eliminate the accrued preferred stock dividends associated with our outstanding 8% preferred stock and an adjustment of approximately $483 and $245 for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively, to eliminate the interest expense, net of tax expense, related to the repayment of our outstanding 8% promissory notes. We will redeem the 8% preferred stock and repay the 8% promissory notes with a portion of the net proceeds from this offering as discussed in the section of this prospectus entitled Use of proceeds.

(4) The pro forma weighted average shares outstanding represents an increase of 2,916 and 2,970 weighted average shares as of December 31, 2003 and June 30, 2004, respectively, related to the issuance of shares that would have been issued by us in this offering, based on an assumed public offering price of $15.00 per share, the mid-point of the range shown on the cover of this prospectus, less estimated underwriting discounts and commissions and offering expenses payable by us, in order to redeem our outstanding 8% preferred stock (including the liquidation participation amount) and repay our outstanding 8% promissory notes, as if these transactions occurred at the beginning of each period. See Use of proceeds. The pro forma weighted average shares outstanding also includes the issuance of 769,700 shares of restricted common stock as of December 31, 2003 and June 30, 2004, as if this issuance also occurred at the beginning of each period. We intend to issue these shares of restricted common stock to our executive officers and certain of our employees on the date of this prospectus.

(5) Consultants consist of our billable professionals.

(6) We calculate the utilization rate for our consultants by dividing the number of hours all of our consultants worked on client assignments during a period by the total available working hours for all of our consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.

(7) Average billing rate per hour 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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Management s discussion and analysis of financial condition and results of operations

This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described in Risk factors and elsewhere in this prospectus. You should read the following discussion with Selected consolidated financial and other operating data and our financial statements and related notes included elsewhere in this prospectus.

OVERVIEW

We are an independent provider of financial and operational consulting services. We commenced operations in May 2002 with a core group of experienced financial and operational consultants, composed primarily of former Arthur Andersen LLP partners and professionals. We have grown significantly since we commenced operations, more than doubling the number of our consultants from 213 on May 31, 2002 to 486 as of September 17, 2004. In response to strong demand for our services, we began aggressively hiring consultants in the first quarter of 2003 and added over 200 new consultants during 2003. While this aggressive hiring reduced our utilization rate (determined by dividing the number of hours all of our consultants worked on client assignments during a period by the total available working hours for all of our consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days) as we integrated our new hires, we believe the early results of this growth initiative are evident in our recent financial results. Revenues in 2002 totaled $35.1 million for our first eight months of operations and rose to $101.5 million in 2003, our first full year of operations. Revenues in the six months ended June 30, 2004 totaled $81.6 million, a 74.0% increase from revenues of $46.9 million in the six months ended June 30, 2003.

We provide our services through two segments: Financial Consulting and Operational Consulting. Our Financial Consulting segment provides services that help clients effectively address complex challenges that arise from litigation, disputes, investigations, regulation, financial distress and other sources of significant conflict or change. Our Operational Consulting segment provides services that help clients improve the overall efficiency and effectiveness of their operations, reduce costs, manage regulatory compliance and maximize procurement efficiency.

Revenues

We derive all of our revenues from providing financial and operational consulting services through three principal types of billing arrangements consisting of time-and-expense, fixed-fee and performance-based. We manage our business on the basis of revenues before reimbursable expenses. We believe this is the most accurate reflection of our consulting services because it eliminates the effect of reimbursable expenses that we bill to our clients at cost.

Since our inception, most of our revenues have been generated from time-and-expense engagements. In time-and-expense engagements, fees are based on the hours incurred at agreed upon billing rates. Time-and-expense engagements represented approximately 80.8% of our revenues in the six months ended June 30, 2004.

In fixed-fee engagements, we agree to a pre-established fee in exchange for a pre-determined set of consulting services. We set the fees based on our estimates of the costs and timing for completing the fixed-fee 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. For the six months ended June 30, 2004, fixed-fee engagements represented approximately 12.3% of our revenues.

Performance-based fee engagements generally tie fees to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, 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. Second, we have performance-based engagements in which we earn a success fee when and if certain pre-defined outcomes occur. Often this type of success fee supplements time-and-expense or fixed-fee engagements. For example, our revenues for the second quarter of 2004 included a $1.6 million success fee earned on a time-and-expense engagement that included a performance-based component related to the completion of a series of asset sales transactions managed on behalf of a single financial consulting segment client over a two-year period. While performance-based fee revenues represented approximately 6.9% of our revenues in the six months ended June 30, 2004, such revenues in the future may cause significant variations in quarterly revenues and operating results due to the timing of achieving the performance-based criteria.

Our quarterly results are impacted principally by our utilization rate, the number of business days in each quarter and the number of our consultants who are available to work. Our utilization rate can be negatively affected by increased hiring because there is generally a transition period for new consultants 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 spending on existing and new engagements, which would negatively affect our utilization rate. The number of business work days are also affected by the number of vacation days taken by our consultants and holidays in each quarter. We typically have 10% to 15% fewer business work days available in the third and fourth quarters of the year, which can impact revenues during those periods. The decline in the number of business work days in the third and fourth quarters of 2002 and 2003 was offset by the hiring of a substantial number of additional consultants during those periods, thereby resulting in an increase in sequential revenues by quarter during both years. We expect to continue to hire a meaningful number of new consultants in the future as demand for our various services continues to grow. The actual number and experience level of consultants to be hired will be in response to future market conditions.

Reimbursable expenses

Reimbursable expenses that are billed to clients, primarily relating to travel and out-of-pocket expenses incurred in connection with engagements, are included in total revenues and reimbursable expenses, and typically an equivalent amount of these expenses are included in total direct costs and reimbursable expenses. The amount of reimbursable expenses included in total revenues and reimbursable expenses may not always correspond with the amount of these expenses included in total direct costs and reimbursable expenses due to the fact that revenues from reimbursable expenses associated with performance-based engagements may be deferred and recognized at a later date when the revenue on these engagements is recognized. This treatment can result in a timing difference between when revenue from reimbursable expenses is recognized and when such expenses are recognized in the statement of operations. Such timing differences are eliminated when the performance-based engagement is completed, as total cumulative revenues from reimbursable expenses will equal the total cumulative reimbursable expenses incurred on the engagement.

Direct costs

Our most significant expenses are costs classified as direct costs. These direct costs primarily include salaries, performance bonuses, payroll taxes and benefits for consultants, as well as fees paid to independent subcontractors that we retain to supplement consulting personnel, typically on an as needed basis for specific client engagements.

Operating expenses

Our operating expenses include selling, general and administrative expenses, which consist primarily of salaries, performance bonuses, payroll taxes and benefits for non-billable professionals. Also included in this category are other sales and marketing related expenses, rent and other office related expenses, professional fees and depreciation and amortization expense.

Segment results

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 corporate office support costs, all 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.

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, or GAAP. The notes to our consolidated financial statements include disclosure of our significant accounting policies. We annually review our financial reporting and disclosure practices and accounting policies to ensure that our financial reporting and disclosures provide accurate information relative to the current economic and business environment. The preparation of financial statements in conformity with GAAP requires management to make assessments, estimates and assumptions that affect the reported amount 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 policies, which are presented in detail in the notes to our financial statements, relate to revenue recognition, the provision for doubtful accounts and unbilled services, valuation of net deferred tax assets and stock-based compensation.

Revenue recognition

We recognize revenues in accordance with Staff Accounting Bulletin, or SAB, No. 101, Revenue Recognition in Financial Statements, as amended by SAB No. 104, Revenue Recognition. Revenue is recognized when persuasive evidence of an arrangement exists, the related services are provided, the price is fixed and determinable and collectibility is reasonably assured. Our services are primarily rendered under engagements that require the client to pay on a time-and-expense basis. Fees are based on the hours incurred at agreed-upon rates and recognized as services are provided. Revenues related to fixed-fee engagements are recognized based on estimates of work completed versus the total services to be provided under the engagement. Losses, if any, on fixed-fee engagements are recognized in the period in which the loss first becomes probable and reasonably estimable. To date, such losses have not been significant. Revenues related to performance-based engagements are recognized when all performance-based criteria are met. We also have contracts with clients to deliver multiple services that are covered under both individual and separate engagement letters. These arrangements allow for our services to be valued and accounted for on a separate basis. Reimbursable expenses related to time-and-expense and fixed-fee engagements are recognized as revenue in the period in which the expense is incurred. Reimbursable expenses subject to performance-based criteria are recognized as revenue when all

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performance criteria are met. Direct costs incurred on all types of engagements, including performance-based engagements, are recognized in the period in which incurred.

Differences between the timing of billings and the recognition of revenue are recognized as either unbilled services or deferred revenue. Revenues recognized for services performed but not yet billed to clients are recorded as unbilled services. Amounts billed to clients but not yet recognized as revenues are recorded as deferred revenue. Client prepayments and retainers that are unearned are also classified as deferred revenue and recognized over future periods as earned in accordance with the applicable engagement agreement.

Allowance for doubtful accounts and unbilled services

We maintain an allowance for doubtful accounts and for services performed but not yet billed for estimated losses based on several factors, including the historical percentages of fee adjustments and write-offs by practice group, an assessment of a client s ability to make required payments and the estimated cash realization from amounts due from clients. The allowance is assessed by management on a quarterly basis. If the financial condition of a client deteriorates in the future, impacting the client s ability to make payments, an increase to our allowance might be required or our allowance may not be sufficient to cover actual write-offs.

The provision for doubtful accounts and unbilled services is recorded as a reduction in revenue to the extent the provision relates to fee adjustments and other discretionary pricing adjustments. To the extent the provision relates to a client s inability to make required payments, the provision is recorded in operating expenses.

Valuation of net deferred tax assets

We have recorded net deferred tax assets as we expect to realize future tax benefits related to the utilization of these assets. Although we have experienced net losses since our inception in 2002, no valuation allowance has been recorded relating to these deferred tax assets because we believe that it is more likely than not that future taxable income will be sufficient to allow us to utilize these assets. Should we determine in the future that we will not be able to fully utilize all or part of these deferred tax assets, we would need to establish a valuation allowance, which would be recorded as a charge to income in the period the determination was made. While utilization of these deferred tax assets will provide future cash flow benefits, they will not have an effect on future income tax provisions.

Stock-based compensation

The accounting for stock-based compensation is complex, and under certain circumstances, GAAP allows for alternative methods. As permitted, we account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations and have elected the disclosure option of Statement of Financial Accounting Standards, or SFAS, No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 requires that companies either recognize compensation expense for grants of stock, stock options and other equity instruments based on fair value, or provide pro forma disclosure of net income and earnings per share in the notes to the financial statements. Accordingly, we have measured compensation expense for stock options that we have granted to employees as the excess, if any, of the estimated fair value of our common stock, based upon the results of an independent appraiser, at the date of grant over the exercise price. The calculated stock-based compensation is included as a component of stockholders equity and is amortized on a straight-line basis by charges to earnings over the vesting period of the applicable options.

Given the lack of a public market for our common stock, we established an estimated fair value of the common stock as well as the exercise price for the options to purchase this stock. At various dates during the year, we estimated the fair value of our common stock by evaluating our results of business activities and projections of our future results of operations. Based upon an estimated public offering price of $15.00, the mid-point of the range shown on the cover of this prospectus, the intrinsic value of the options outstanding at June 30, 2004 was $24.4 million, of which $2.2 million related to the vested options and $22.2 million related to the unvested options.

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RESULTS OF OPERATIONS

The following table sets forth selected segment and consolidated operating results and other operating data for the periods indicated:

Segment and consolidated operating results:	Period from March 19, 2002 (inception) to Dec. 31, 2002	Year ended December 31, 2003	Six months ended June 30, 2003	Six months ended June 30, 2004
			(unaudited)	
		(in thousands)		
Revenues and reimbursable expenses:				
Financial Consulting revenues	$ 22,400	$69,941	$ 33,518	$ 50,827
Operational Consulting revenues	12,701	31,545	13,405	30,777
Total revenues	35,101	101,486	46,923	81,604
Total reimbursable expenses	2,921	8,808	3,906	7,090
Total revenues and reimbursable expenses	$ 38,022	$ 110,294	$ 50,829	$ 88,694
Operating (loss) income:				
Financial Consulting	$ 3,912	$ 22,011	$ 12,942	$ 20,288
Operational Consulting	3,527	5,383	3,033	10,238
Total segment operating income	7,439	27,394	15,975	30,526
Unallocated corporate costs	7,206	20,615	9,476	14,328
Depreciation and amortization expense	3,048	5,328	2,658	1,075
Other operating expenses	3,715	1,668		2,139
Total operating expenses	13,969	27,611	12,134	17,542
Operating (loss) income	$ (6,530)	$ (217)	$ 3,841	$ 12,984
Other operating data (unaudited):				
Number of consultants (at period end)(1):				
Financial Consulting	172	290	223	292
Operational Consulting	90	187	132	207
Total	262	477	355	499
Utilization rate(2):				
Financial Consulting	55.7%	66.8%	74.1%	73.1%
Operational Consulting	60.5%	65.0%	69.3%	72.0%

Total	57.3%	66.1%	72.4%	72.6%
Average billing rate per hour(3):				
Financial Consulting	$ 212	$ 233	$ 236	$ 252
Operational Consulting	$ 195	$ 189	$ 197	$ 219
Total	$ 206	$ 217	$ 224	$ 238

(1) *Consultants consist of our billable professionals.*

(2) *We calculate the utilization rate for our consultants by dividing the number of hours all our consultants worked on client assignments during a period by the total available working hours for all of our consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.*

(3) *Average billing rate per hour is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period.*

Six months ended June 30, 2004 compared to the six months ended June 30, 2003

Revenues

Revenues increased $34.7 million, or 74.0%, to $81.6 million for the six months ended June 30, 2004 from $46.9 million for the six months ended June 30, 2003. Revenues from time-and-expense engagements increased $25.6 million, or 63.4%, to $66.0 million for the six months ended June 30, 2004 from $40.4 million for the six months ended June 30, 2003. Revenues from fixed-fee engagements increased $4.7 million, or 88.7%, to $10.0 million for the six months ended June 30, 2004 from $5.3 million for the six months ended June 30, 2003. Revenues from performance-based engagements increased $4.4 million, or 366.7%, to $5.6 million for the six months ended June 30, 2004 from $1.2 million for the six months ended June 30, 2003. Included in performance-based revenues for the 2004 period was a $1.6 million success fee recognized in the second quarter related to the completion of a series of asset sales transactions managed on behalf of a single financial consulting segment client over a two-year period.

The increase in revenues was reflective of accelerated hiring, an increase in the average billing rate per hour and a slight increase in our utilization rate. The overall $34.7 million increase in revenues resulted from a $28.1 million increase in revenues attributable to an increase in billable hours associated with the hiring of additional consultants and a $6.6 million increase in revenues attributable to an increase in the average billing rate per hour. The average number of consultants increased to 483 for the six months ended June 30, 2004 from 299 for the six months ended June 30, 2003, as we added a substantial number of consultants during the third and fourth quarters of 2003 to meet growing demand for our services and position us for future growth. In addition, the average billing rate per hour increased to $238 for the six months ended June 30, 2004 from $224 for the six months ended June 30, 2003. Average billing rate per hour for any given period is calculated by dividing revenues for the period by the number of hours worked on client assignments during the same period. Our utilization rate increased slightly to 72.6% for the six months ended June 30, 2004 from 72.4% for the six months ended June 30, 2003.

Direct costs

Our direct costs increased $18.3 million, or 62.5%, to $47.6 million in the six months ended June 30, 2004 from $29.3 million in the six months ended June 30, 2003. This increase in cost was primarily attributable to the increase in the average number of consultants described above. We expect direct costs will increase in the near term as we focus primarily on hiring additional managers, associates and analysts to expand support for our existing practices and better leverage the managing directors and directors that we hired in 2003.

Operating expenses

Selling, general and administrative expenses increased $6.7 million, or 60.4%, to $17.8 million in the six months ended June 30, 2004 from $11.1 million in the six months ended June 30, 2003. The increase was due in part to an increase in the average number of non-billable professionals to 105 for the six months ended June 30, 2004 from 65 for the six months ended June 30, 2003 and their related compensation and benefit costs of $7.9 million in the six months ended June 30, 2004 compared to $4.2 million in the six months ended June 30, 2003. The six months ended June 30, 2004 also included $0.6 million in employee severance and anticipated litigation settlement charges recorded in the second quarter. The remaining increase in selling, general and administrative costs in the six months ended June 30, 2004 compared to the same period in the prior year was due to increases in rent and other facility costs, promotion and marketing costs and other administrative costs associated with the general growth in business activity. We expect operating expenses will increase in the future in response to ongoing growth in business activity and new costs associated with being a public company.

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Depreciation expense increased $0.5 million to $1.1 million in the six months ended June 30, 2004 from $0.6 million in the six months ended June 30, 2003 as computers and leasehold improvements were added to support our increase in employees. There was no amortization expense in the six months ended June 30, 2004 compared to $2.1 million in the six months ended June 30, 2003. The decrease in amortization expense in the six months ended June 30, 2004 was due to the amortization of the $5.5 million in intangible costs paid in 2002 to obtain the release of certain of our employees from non-competition agreements with Arthur Andersen LLP, their former employer, and the related assumption of $0.8 million in liabilities, both of which were fully amortized by December 31, 2003.

Other operating expenses in the six months ended June 30, 2004 consisted of a $2.1 million pre-tax restructuring charge associated with the closing of two small, underperforming offices in Miami, Florida and Palo Alto, California. The charge consisted of approximately $2.0 million for severance payments for the ten employees formerly employed at these locations and an accrual of $0.1 million for office lease payments, which were paid by August 31, 2004. Three of the ten employees had contracts guaranteeing them base salary and bonus if terminated under certain circumstances.

In September 2004, we decided to eliminate a service offering of a practice area in our operational consulting segment that was not meeting our expectations. Additionally, in a continual effort to streamline our operations and allocate resources more appropriately, we reduced our headcount in certain other practice areas across both segments. As such, we expect third quarter 2004 operating expenses to include charges of approximately $2.1 million for severance payments. In connection with these actions, we expect to realize cost savings over the next twelve months of approximately $3.5 million principally from compensation savings beginning in the fourth quarter of 2004. We expect that these cost savings will to some extent be offset by some related lost service offering revenue and additional costs as we increase headcount in other practice areas.

Operating income

Operating income increased $9.2 million, or 242.1%, to $13.0 million in the six months ended June 30, 2004 from $3.8 million in the six months ended June 30, 2003, primarily as a result of the changes in revenues, direct costs and operating expenses discussed above. Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 15.9% in the six months ended June 30, 2004 from 8.1% in the six months ended June 30, 2003.

Segment results

Financial Consulting

Revenues

Financial Consulting segment revenues increased $17.3 million, or 51.6%, to $50.8 million for the six months ended June 30, 2004 from $33.5 million for the six months ended June 30, 2003. Revenues from time-and-expense engagements increased $15.6 million, or 51%, to $46.2 million for the six months ended June 30, 2004 from $30.6 million for the six months ended June 30, 2003. Revenues from fixed-fee engagements increased $0.4 million, or 15.4%, to $3.0 million for the six months ended June 30, 2004 from $2.6 million for the six months ended June 30, 2003. Revenues from performance-based engagements increased $1.3 million, or 433.3%, to $1.6 million for the six months ended June 30, 2004 from $0.3 million for the six months ended June 30, 2003. Performance-based fee revenues for the six months ended June

30, 2004 consisted of fees recognized in the second quarter of 2004 relating to the successful completion of a series of asset sales transactions managed on behalf of a single client over a two-year period.

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The overall $17.3 million increase in revenues resulted from a $14.4 million increase in revenues attributable to an increase in billable hours associated with the hiring of additional consultants and a $3.4 million increase in revenues attributable to an increase in the average billing rate per hour, which were partially offset by a $0.5 million decrease in revenues attributable to a decrease in our utilization rate. The average number of consultants increased to 308 for the six months ended June 30, 2004 from 206 for the six months ended June 30, 2003 as we added a substantial number of consultants across all of our practices to meet growing demand for our services. The average billing rate per hour increased to $252 for the six months ended June 30, 2004 from $236 for the six months ended June 30, 2003. The increased headcount and average billing rate per hour were partially offset by a decrease in our utilization rate to 73.1% for the six months ended June 30, 2004 from 74.1% for the six months ended June 30, 2003.

Operating income

Financial Consulting segment operating income increased $7.4 million, or 57.4%, to $20.3 million in the six months ended June 30, 2004 from $12.9 million in the six months ended June 30, 2003. Operating income associated with the $1.6 million success fee recognized in the second quarter of 2004 was $1.3 million. Segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, increased to 39.9% in the six months ended June 30, 2004 from 38.6% in the six months ended June 30, 2003, primarily as a result of the increase in revenues discussed above, partially offset by an increase in direct costs and selling, general and administrative expenses.

Operational Consulting

Revenues

Operational Consulting segment revenues increased $17.4 million, or 129.9%, to $30.8 million for the six months ended June 30, 2004 from $13.4 million for the six months ended June 30, 2003. Revenues from time-and-expense engagements increased $10.0 million, or 102.0%, to $19.8 million for the six months ended June 30, 2004 from $9.8 million for the six months ended June 30, 2003. Revenues from fixed-fee engagements increased $4.3 million, or 159.3%, to $7.0 million for the six months ended June 30, 2004 from $2.7 million for the six months ended June 30, 2003. Revenues from performance-based engagements increased $3.1 million, or 344.4%, to $4.0 million for the six months ended June 30, 2004 from $0.9 million for the six months ended June 30, 2003.

Of the overall $17.4 million increase in revenues, $13.7 million was attributable to an increase in billable hours associated with the hiring of additional consultants, $3.2 million was attributable to an increase in the average billing rate per hour and $0.5 million was attributable to an increase in our utilization rate. The average number of consultants increased to 201 for the six months ended June 30, 2004 from 112 for the six months ended June 30, 2003 as we added a substantial number of consultants across all of our practices to meet growing demand for our services. The average billing rate per hour increased to $219 for the six months ended June 30, 2004 from $197 for the six months ended June 30, 2003. In addition, our utilization rate increased to 72.0% for the six months ended June 30, 2004 from 69.3% for the six months ended June 30, 2003.

Operating income

Operational Consulting segment operating income increased $7.2 million, or 240.0%, to $10.2 million in the six months ended June 30, 2004 from $3.0 million in the six months ended June 30, 2003. Segment operating margin increased to 33.3% in the six months ended June 30, 2004 from 22.6% in the six months ended June 30, 2003, primarily as a result of the increase in revenues discussed above, partially offset by an increase in direct costs and selling, general and administrative expenses.

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Year ended December 31, 2003 compared to period from March 19, 2002 (inception) through December 31, 2002

Revenues

Revenues increased $66.4 million, or 189.2%, to $101.5 million for the year ended December 31, 2003 from $35.1 million for the partial year ended December 31, 2002. Revenues from time-and-expense engagements increased $55.6 million, or 182.3%, to $86.1 million for the year ended December 31, 2003 from $30.5 million for the partial year ended December 31, 2002. Revenues from fixed-fee engagements increased $8.0 million, or 195.1%, to $12.1 million for the year ended December 31, 2003 from $4.1 million for the partial year ended December 31, 2002. Revenues from performance-based engagements increased $2.8 million to $3.3 million for the year ended December 31, 2003 from $0.5 million for the partial year ended December 31, 2002.

The overall $66.4 million increase in revenues resulted from a $55.9 million increase in revenues attributable to an increase in billable hours associated with the hiring of additional consultants and 2003 having twelve months of operations versus the first eight months of our operations in the 2002 period, a $5.1 million increase in revenues attributable to an increase in the average billing rate per hour and a $5.4 million increase in revenues attributable to an increase in our utilization rate. The average number of consultants increased to 365 for the year ended December 31, 2003 from 247 for the partial year ended December 31, 2002 as we added a substantial number of consultants across all of our practices to meet growing demand for our services. The average billing rate per hour increased to $217 for the year ended December 31, 2003 from $206 for the partial year ended December 31, 2002. In addition, our utilization rate increased to 66.1% for the year ended December 31, 2003 from 57.3% in the partial year ended December 31, 2002. Utilization for the year ended December 31, 2003 was influenced by two large time-sensitive engagements involving a large number of consultants.

Direct costs

Our direct costs increased $43.3 million, or 165.9%, to $69.4 million in the year ended December 31, 2003 from $26.1 million in the partial year ended December 31, 2002. This increase in cost was primarily attributable to the increase in the average number of consultants described above.

Operating expenses

Selling, general and administrative expenses increased $16.4 million, or 186.4%, to $25.2 million in the year ended December 31, 2003 from $8.8 million in the partial year ended December 31, 2002. The increase was due in part to an increase in the average number of non-billable professionals to 76 for the year ended December 31, 2003 from 45 for the partial year ended December 31, 2002 and their related compensation and benefit costs of $9.0 million in the year ended December 31, 2003 compared to $3.2 million in the partial year ended December 31, 2002. Office and equipment rentals increased to $4.5 million in the year ended December 31, 2003 from $1.1 million in the partial year ended December 31, 2002 as a result of increased office space and other facility costs associated with our quickly growing consultant and administrative workforce.

Depreciation expense increased $1.2 million to $1.6 million in the year ended December 31, 2003 from $0.4 million in the partial year ended December 31, 2002 as we added computers and leasehold improvements during 2003 to support our increase in employees. Amortization expense increased $1.1 million to $3.7 million in the year ended December 31, 2003 from $2.6 million in the partial year ended December 31, 2002. The increase in amortization expense was due to the amortization of the $5.5 million in intangible costs paid in 2002 to obtain the release of certain of our employees from non-competition agreements with Arthur Andersen LLP, their former employer, and the related assumption of $0.8 million in liabilities, both of which were fully amortized by December 31, 2003.

Other operating expenses in the year ended December 31, 2003 consisted of a $1.7 million charge for the loss associated with the abandonment of an office lease while the partial year ended December 31, 2002 consisted of a $2.5 million expense related to management fees paid to an affiliate of Lake Capital Partners LP, which along with Lake Capital Management LLC controls our parent, HCG Holdings LLC, a $0.2 million expense related to advisory fees paid to an affiliate of PPM America, Inc., which is a member of HCG Holdings LLC, and $1.0 million in other organization costs associated with the formation of our company.

Operating loss

The operating loss for the year ended December 31, 2003 amounted to $0.2 million as compared to an operating loss of $6.5 million for the partial year ended December 31, 2002.

Segment results

Financial Consulting

Revenues

Financial Consulting segment revenues increased $47.5 million, or 212.1%, to $69.9 million for the year ended December 31, 2003 from $22.4 million for the partial year ended December 31, 2002. Revenues from time-and-expense engagements increased $44.4 million, or 224.2%, to $64.2 million for the year ended December 31, 2003 from $19.8 million for the partial year ended December 31, 2002. Revenues from fixed-fee engagements increased $2.3 million, or 88.5%, to $4.9 million for the year ended December 31, 2003 from $2.6 million for the partial year ended December 31, 2002. Revenues from performance-based engagements were $0.8 million for the year ended December 31, 2003, and there were no revenues from performance-based engagements in 2002.

The overall $47.5 million increase in revenues resulted from a $36.9 million increase in revenues attributable to an increase in billable hours associated with the hiring of additional consultants and 2003 having twelve months of operations versus the first eight months of our operations in the 2002 period, a $6.1 million increase in revenues attributable to an increase in the average billing rate per hour and a $4.5 million increase in revenues attributable to an increase in our utilization rate. The average number of consultants increased to 227 for the year ended December 31, 2003 from 163 for the partial year ended December 31, 2002 as we added a substantial number of consultants across all of our practices to meet growing demand for our services. The average billing rate per hour increased to $233 for the year ended December 31, 2003 from $212 for the partial year ended December 31, 2002. In addition, our utilization rate of 66.8% for the year ended December 31, 2003 was up from 55.7% for the partial year ended December 31, 2002.

Operating income

Financial Consulting segment operating income increased $18.1 million, or 464.1%, to $22.0 million in the year ended December 31, 2003 from $3.9 million in the partial year ended December 31, 2002. Segment operating margin improved to 31.5% in the year ended December 31, 2003 from 17.5% in the partial year ended December 31, 2002 due to increased revenues and improved utilization rates of 66.8% for the year ended December 31, 2003 from 55.7% for the partial year ended December 31, 2002.

Operational Consulting

Revenues

Operational Consulting segment revenues increased $18.8 million, or 148.0%, to $31.5 million for the year ended December 31, 2003 from $12.7 million for the partial year ended December 31, 2002.

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Revenues from time-and-expense engagements increased $11.2 million, or 104.7%, to $21.9 million for the year ended December 31, 2003 from $10.5 million for the partial year ended December 31, 2002. Revenues from fixed-fee engagements increased $5.7 million to $7.2 million for the year ended December 31, 2003 from $1.5 million for the partial year ended December 31, 2002. Revenues from performance-based engagements increased $1.9 million to $2.4 million for the year ended December 31, 2003 from $0.5 million for the partial year ended December 31, 2002.

The overall $18.8 million increase in revenues resulted from an $18.8 million increase in revenues attributable to an increase in billable hours associated with the hiring of additional consultants and 2003 having twelve months of operations versus the first eight months of our operations in the 2002 period and a $1.0 million increase in revenues attributable to an increase in our utilization rate, which were partially offset by a $1.0 million decrease in revenues attributable to a decrease in the average billing rate per hour. The average number of consultants increased to 138 for the year ended December 31, 2003 from 84 for the partial year ended December 31, 2002. Our utilization rate of 65.0% for the year ended December 31, 2003 was up from 60.5% for the partial year ended December 31, 2002. The average billing rate per hour decreased to $189 for the year ended December 31, 2003 from $195 for the partial year ended December 31, 2002.

Operating income

Operational Consulting segment operating income increased $1.9 million, or 54.3%, to $5.4 million in the year ended December 31, 2003 from $3.5 million in the partial year ended December 31, 2002. Segment operating margin decreased to 17.1% in the year ended December 31, 2003 from 27.8% in the partial year ended December 31, 2002 primarily due to investments made during 2003 to start a new practice and expand our capabilities in an existing practice in this segment. A total of 38 consultants were hired for the new and expanded practices during the course of 2003 and revenue generation lagged our investments in payroll and sales and marketing costs.

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Selected quarterly consolidated financial and other operating data

The following table sets forth selected unaudited quarterly operating information for each of the nine quarters during the period from April 1, 2002 to June 30, 2004. We did not have any operations during the period from March 19, 2002 (inception) to March 31, 2002. The following quarterly consolidated financial data has been prepared on the same basis as, and should be read together with, the audited financial statements and related notes contained elsewhere in this prospectus and includes all normal recurring adjustments necessary for the fair presentation of the information for the periods presented. Results for any fiscal quarter are not necessarily indicative of results for the full year or for any future quarter.

	Three months ended								
Consolidated quarterly financial data:	**June 30, 2002**	**Sep. 30, 2002**	**Dec. 31, 2002**	**Mar. 31, 2003**	**June 30, 2003 (unaudited)**	**Sep. 30, 2003**	**Dec. 31, 2003**	**Mar. 31, 2004**	**June 30, 2004**
	(in thousands, except other operating data amounts)								
Revenues and reimbursable expenses:									
Revenues	$ 6,320	$ 12,994	$ 15,787	$ 23,212	$ 23,711	$ 25,549	$ 29,014	$ 40,101	$ 41,503
Reimbursable expenses	478	1,063	1,380	2,069	1,837	2,105	2,797	3,443	3,647
Total revenues and reimbursable expenses	6,798	14,057	17,167	25,281	25,548	27,654	31,811	43,544	45,150
Direct costs and reimbursable expenses:									
Direct costs	5,417	9,909	10,729	13,581	15,739	19,055	21,026	24,868	22,723
Reimbursable expenses	478	1,063	1,380	2,069	1,848	2,138	2,874	3,523	3,542
Total direct costs and reimbursable expenses	5,895	10,972	12,109	15,650	17,587	21,193	23,900	28,391	26,265
Gross profit	903	3,085	5,058	9,631	7,961	6,461	7,911	15,153	18,885
Operating expenses:									
Selling general and administrative expenses	1,538	3,485	3,790	4,826	6,267	6,616	7,476	8,158	9,682
Depreciation and amortization expense	602	1,166	1,280	1,290	1,368	1,492	1,178	603	472
Other operating expenses	2,168	1,425	122			1,668		2,139	
Total operating expenses	4,308	6,076	5,192	6,116	7,635	9,776	8,654	10,900	10,154
Operating (loss) income	(3,405)	(2,991)	(134)	3,515	326	(3,315)	(743)	4,253	8,731
Other expense		133	200	199	331	217	221	245	270
(Loss) income before (benefit) provision for income taxes	(3,405)	(3,124)	(334)	3,316	(5)	(3,532)	(964)	4,008	8,461
(Benefit) provision for income taxes	(1,362)	(1,236)	(99)	1,375	76	(1,367)	(206)	1,661	3,576
Net (loss) income	(2,043)	(1,888)	(235)	1,941	(81)	(2,165)	(758)	2,347	4,885
Accrued dividends on 8% preferred stock	135	255	256	253	263	275	275	273	285
	$ (2,178)	$ (2,143)	$ (491)	$ 1,688	$ (344)	$ (2,440)	$ (1,033)	$ 2,074	$ 4,600

Net (loss) income attributable to common stockholders									
Other operating data:									
Number of consultants (at period end)(1)	236	255	262	294	355	449	477	483	499
Utilization rate(2)	49.6%	53.7%	64.6%	75.8%	69.4%	60.6%	62.7%	73.4%	71.8%
Average billing rate per hour(3)	$ 211	$ 207	$ 202	$ 228	$ 220	$ 215	$ 210	$ 229	$ 248

(1) Consultants consist of our billable professionals.

(2) We calculate the utilization rate for our consultants by dividing the number of hours all of our consultants worked on client assignments during a period by the total available working hours for all of our consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.

(3) Average billing rate per hour 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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Our future operating results are difficult to predict and may vary significantly. Revenues and operating results fluctuate from quarter to quarter as a result of numerous factors, including the following:

Ø the size and number of client engagements commenced and completed during a quarter;

Ø utilization rates, which in turn can be affected by increased hiring, as there is generally a transition period for new consultants that results in a temporary drop in utilization;

Ø the number of business work days in a quarter;

Ø the number of consultants; and

Ø the achievement of milestones under performance-based engagements.

Although our fee structure is variable, our direct costs, which include primarily consultant payroll costs, are fixed within the short-term. Consequently, a variation in the number or size of client engagements or the timing of the initiation or the completion of client engagements can cause significant variations in operating results from quarter-to-quarter.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flows from operations, debt capacity available under our credit facility and available cash reserves. Our primary financing need has been to fund our growth.

Operating activities

Cash flows generated by operating activities totaled $0.9 million for the six months ended June 30, 2004 and $0.1 million for the six months ended June 30, 2003. The increase in cash provided by operations for the six months ended June 30, 2004 was primarily attributable to higher net income, partially offset by increases in working capital. Receivables from clients and unbilled services increased $12.2 million during the six months ended June 30, 2004 primarily as a result of revenue increases in the latter portion of the second quarter of 2004 that were not billed prior to June 30, 2004. During the six months ended June 30, 2004, there was also a $1.1 million use of funds for other current assets, which included $0.5 million of prepaid costs associated with this offering, and a $0.4 million use of funds for the change in accrued interest payable relating to annual interest payments made on the $10.1 million in 8% promissory notes payable to our parent, HCG Holdings LLC. These uses of funds were partially offset by a $2.3 million reduction in our income tax receivable and a $0.7 million increase in our income tax payable in the first six months of 2004, as well as an increase in accounts payable, accrued expenses and accrued payroll and related benefits.

As the result of the increase in cash provided by operations described above, offset by the uses of cash for investing and financing activities noted below, cash and cash equivalents declined to $0.9 million at June 30, 2004 from $4.3 million at December 31, 2003.

Cash flow generated by operating activities totaled $4.0 million for the year ended December 31, 2003 compared to cash used in operating activities of $9.8 million for the partial year ended December 31, 2002. The increase in cash provided by operations for the year ended December 31, 2003 was primarily attributable to revenue growth in excess of the growth in operating expenses when compared to the partial year ended December 31, 2002, which had eight months of operations, and various start-up costs associated with the commencement of operations.

Our balance of cash and cash equivalents was $4.3 million at December 31, 2003, a decrease of $0.1 million, or 2.3%, from the $4.4 million balance at December 31, 2002.

Investing activities

Cash used by investing activities was $3.0 million for the six months ended June 30, 2004 and $2.1 million for the six months ended June 30, 2003. Use of cash in both periods pertained to the purchase of computer hardware and software, furniture and fixtures and leasehold improvements needed to meet the ongoing needs relating to the hiring of additional employees and the expansion of office space.

Cash used by investing activities was $4.2 million for the year ended December 31, 2003 and $8.6 million for the partial year ended December 31, 2002. In the partial year ended December 31, 2002, we paid $5.5 million to obtain the release of certain employees from non-competition agreements with Arthur Andersen LLP, their former employer, and $0.8 million of certain related liabilities. In addition, we paid $2.3 million in the partial year ended December 31, 2002 for the purchase of computer hardware and software, furniture and fixtures and leasehold improvements relating to the hiring of employees and establishment of new offices. Capital expenditures for the purchase of property and equipment, including computer hardware and software, furniture and fixtures and leasehold improvements, were the primary use of cash in the year ended December 31, 2003, as business expansion and the hiring of new employees continued during the course of the year. We estimate that our capital expenditures in 2004 will be approximately $6.5 million for the purchase of additional computers, furniture and fixtures and leasehold improvements as our business continues to expand.

Financing activities

Between April and June 2002, in connection with our initial capitalization, we issued to our parent, HCG Holdings LLC, an aggregate of 12,500 shares of our 8% preferred stock for an aggregate consideration of $12.5 million and an aggregate of approximately 11,281,243 shares of our common stock at a purchase price of $0.02 per share for an aggregate consideration of approximately $0.3 million. Proceeds of approximately $10.1 million were also received from the issuance of 8% promissory notes to HCG Holdings LLC. We had no other borrowings outstanding as of December 31, 2002.

The terms of the 8% preferred stock contain specific provisions regarding redemption. Upon the consummation of this offering, we will exercise our option to redeem our outstanding 8% preferred stock for approximately $15.1 million, which is equal to their original issuance price plus cumulative dividends that will have accrued from the date of investment through the date of this prospectus at a rate of 8% per annum, compounded annually, together with a liquidation participation amount calculated as if we were liquidated as of the date of the redemption.

The terms of the 8% promissory notes require us to mandatorily prepay the outstanding principal immediately after a qualified public offering, including this offering. Accordingly, we will use approximately $10.7 million of our net proceeds from this offering to repay the outstanding 8% promissory notes, including accrued and unpaid interest, upon the consummation of this offering. For further information, see Use of proceeds and Certain relationships and related transactions.

In 2003, our wholly-owned operating subsidiary, Huron Consulting Services LLC, entered into a bank credit agreement that allowed it to borrow up to the lesser of $5.0 million or 75% of eligible accounts receivable, as defined by the terms of the agreement. Borrowings under the agreement are also limited by any outstanding letters of credit. Borrowings under the agreement bear interest at either the prime rate or LIBOR plus 2.75%, and are secured by substantially all of our assets. We had no borrowings outstanding as of December 31, 2003; however, available borrowings under the agreement were limited to $4.0 million as of that date due to two outstanding letters of credit provided as security for our

Chicago and New York office leases and totaling $750,000 and $236,000, respectively. Our bank credit agreement includes covenants for minimum equity and maximum annual capital expenditures as well as covenants restricting our ability to incur additional indebtedness or engage in certain types of transactions outside of the ordinary course of business. The minimum equity covenant originally required that the sum of paid-in capital and net income of Huron Consulting Services LLC, less any distributions made by Huron Consulting Services LLC, be at least $18.5 million at any time. The capital expenditures covenant originally prohibited Huron Consulting Services LLC from incurring expenditures for the acquisition of fixed assets in excess of $2.5 million in the aggregate in any fiscal year. The dollar amounts specified in these covenants have since been revised as described below.

During 2004, we received two separate waivers from the bank that extended by thirty days each the due date for the 2003 audited financial statements and one waiver that allowed Huron Consulting Services LLC to exceed its limitation on distributions to Huron Consulting Group Inc. Generally, the bank credit agreement limited the amount of distributions Huron Consulting Services LLC could make to 50% of its net income. Huron Consulting Services LLC made a $277,146 distribution to Huron Consulting Group Inc. in January 2004. Our bank credit agreement was amended in February 2004 to remove the limitations on distributions by Huron Consulting Services LLC. During 2003, we received a waiver from the bank that effectively increased the capital expenditure limit from $2.5 million to $4.5 million and ultimately, by amendment, to $7.5 million. We also received a letter of compliance confirmation from the bank for the 30-day clean up provision, which requires that we have an uninterrupted 30-day period each year with no loans outstanding under the agreement.

Before expiring in January 2004, our bank credit agreement was amended to extend the term to February 10, 2005 and to increase the total availability to the lesser of $15.0 million or the sum of (a) 75% of eligible accounts receivable and (b) the lesser of 30% of unbilled services and $3.0 million. Borrowings under the agreement are also still limited by any outstanding letters of credit. The bank credit agreement was further amended in May 2004 to, among other things, clarify the minimum equity covenant and lower the minimum equity requirement to $10.5 million, and to permit certain asset sales outside the ordinary course of business.

As of June 30, 2004, we had no borrowings outstanding under our bank credit agreement and the balance available under the credit agreement was $13.3 million after the calculation of eligible accounts receivable and unbilled services balances and a reduction of approximately $1.7 million for letters of credit outstanding. The increase in letters of credit outstanding resulted from the Chicago lease security deposit requirement increasing from $750,000 to $1.5 million. We intend to use a portion of our net proceeds from this offering to repay any borrowings outstanding under the credit agreement at the time this offering is consummated.

On May 12, 2004, we declared a special dividend on each outstanding share of our common stock and 8% preferred stock payable to holders of record on May 25, 2004. We paid the special dividend on June 29, 2004. The 8% preferred stock participated on an as converted basis. The aggregate amount of the dividend was $1.25 million, or $0.09 per share of common stock and $22.18 per share of 8% preferred stock. The payment of the special dividend was funded by our available cash balance and by borrowing availability under our credit agreement, which we repaid the following day.

Future needs

As indicated in Business Growth Strategy below, our plans include hiring additional consultants and expanding our service offerings through existing consultants, new hires or acquisitions. We intend to fund such growth over the next twelve months with funds generated from operations and borrowing availability under our credit agreement. For example, we used the $4.0 million of cash provided by operations in 2003 for capital expenditures to support our growing business. While our cash flows

generated by operations decreased from $4.0 million at December 31, 2003 to $0.9 million at June 30, 2004, this was primarily due to the timing of 2003 annual bonus payments of $7.7 million and current year growth in revenues that increased working capital balances for receivables and unbilled services by $12.2 million. Because we expect that our future annual growth rate in revenues and related percentage increases in working capital balances will moderate, we believe our cash from operations, supplemented as necessary by borrowings under our credit facility and the proceeds from this offering, will be adequate to fund this growth.

Over the longer term, we expect that cash flow from operations, supplemented by short and long term financing and the proceeds from this offering, as necessary, will be adequate to fund day-to-day operations and capital expenditure requirements. 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 overall condition of the credit markets. Following this offering, the net proceeds remaining after repayment of our 8% promissory notes, redemption of the 8% preferred stock and repayment of outstanding indebtedness under our credit facility will be invested in short-term, interest bearing investment grade securities.

CONTRACTUAL OBLIGATIONS

The following tables represent our obligations and commitments to make future payments under contracts, such as lease agreements, and under contingent commitments as of December 31, 2003.

	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
			(in thousands)		
Operating leases	$ 3,322	$ 7,581	$ 6,820	$ 14,179	$ 31,902
Long-term debt (consisting of 8% promissory notes)			10,076		10,076
Total contractual obligations	$ 3,322	$ 7,581	$ 16,896	$ 14,179	$ 41,978

We lease our facilities and certain equipment under operating lease arrangements expiring on various dates through 2014. We lease office facilities under noncancelable operating leases that include fixed or minimum payments plus, in some cases, scheduled base rent increases over the term of the lease and additional rents based on the Consumer Price Index. Certain leases provide for monthly payments of real estate taxes, insurance and other operating expense applicable to the property. In addition, we lease equipment under noncancelable operating leases.

During 2002, we entered into promissory note agreements with our parent, HCG Holdings LLC, totaling $10.1 million. Interest on the promissory notes, which is payable annually, accrues at the rate of 8% per year. The notes mature five years and six months from the date of issuance. The notes may be prepaid at any time without penalty and prepayment is mandatory upon the occurrence of specified events, including the consummation of this offering. Accordingly, upon the consummation of this offering, we will use approximately $10.7 million of our net proceeds from this offering to repay the outstanding 8% promissory notes, including accrued and unpaid interest.

OFF BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks related to interest rates and changes in the market value of our investments. We do not enter into interest rate caps or collars or other hedging instruments. Our

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exposure to changes in interest rates is limited to borrowings under the bank credit agreement, which has a variable interest rates tied to the LIBOR or prime rate. We had no borrowings outstanding under our bank credit agreement as of December 31, 2003 and June 30, 2004, and, as a result, any change in interest rates would not have a material effect on our financial position or operating results. 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 and debt obligations, we have concluded that we do not have material market risk exposure.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, the Financial Accounting Standards Board, or FASB, issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires the issuer to classify a financial instrument that is within the scope of the standard as a liability if the financial instrument embodies an obligation of the issuer. The adoption of the provisions of SFAS No. 150 did not have any impact on our financial position or results of operations.

In November 2002, the FASB reached a consensus on EITF Issue No. 00-21. EITF Issue No. 00-21 provides guidance on how to account for revenue arrangements that include multiple products or services to ensure that all standalone deliverables are tracked, valued and accounted for on an individual basis and in the proper periods. The guidance in EITF Issue No. 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We have contracts with clients to deliver multiple services that are covered under both individual and separate engagement letters. These arrangements allow for our services to be valued and accounted for on a separate basis. Therefore, the adoption of EITF Issue No. 00-21 did not have any impact on our consolidated financial position or result of operations.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities and Interpretation of ARB No. 51, which is effective immediately for all variable interest entities created after January 31, 2003 and for the first fiscal year or interim period beginning after June 15, 2003 for variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. We do not have variable interest entities that fall within the scope of this pronouncement and therefore the adoption of this pronouncement did not have any impact on our financial statements.

In March 2004, the FASB issued an Exposure Draft on Share-Based Payment, an amendment of FASB Statements No. 123 and 95. In this proposed statement, the FASB believes that employee services received in exchange for equity instruments give rise to recognizable compensation cost as the services are used in the issuing entity s operations. In addition, the proposed statement would require that public companies measure the compensation cost related to employee services received in exchange for equity instruments issued based on the grant-date fair value of those instruments. The FASB will also consider other items such as streamlining volatility assumptions and addressing the fair value measurement models. This proposed statement would neither change the accounting in SFAS No. 123, Accounting for Stock-Based Compensation, for transactions in which an enterprise exchanges its equity instruments for services of parties other than employees nor change the accounting for stock ownership plans, which are subject to American Institute of Certified Public Accountants Statement of Position 93-6, Employer s Accounting for Employee Stock Ownership Plans. The FASB intends to reconsider the accounting for those transactions and plans in a later phase of its project on equity-based compensation. Our management will continue to assess the potential impact this statement will have on us.

Business

OVERVIEW

We are an independent provider of financial and operational consulting services. Our highly experienced and credentialed professionals employ their expertise in accounting, finance, economics and operations to provide our clients with specialized analysis and customized advice and solutions that are tailored to address each client s particular challenges and opportunities. Our financial consulting services help clients effectively address complex challenges that arise from litigation, disputes, investigations, regulation, financial distress and other sources of significant conflict or change. Our operational consulting services help clients improve the overall efficiency and effectiveness of their operations, reduce costs, manage regulatory compliance and maximize procurement efficiency.

Our financial consulting services include:

- Ø offering financial and economic analysis, forensic accounting and expert support and testimony services for organizations and their law firms in connection with litigation, business disputes and regulatory and internal investigations;
- Ø providing restructuring, turnaround and bankruptcy advisory services for financially distressed organizations, creditors and other constituents; and
- Ø performing valuations of businesses or assets to assist clients with financial reporting, tax compliance, damage or purchase price assessments and restructuring efforts.

Our operational consulting services include:

- Ø assisting research universities and academic medical centers with research administration opportunities and challenges;
- Ø assisting healthcare payors and providers improve the effectiveness of operations and reduce costs;
- Ø helping large and middle-market organizations that have recently undergone a change in leadership, are integrating acquisitions or are coping with a change in competitive dynamics to address performance challenges and take advantage of opportunities;
- Ø helping in-house legal departments improve their operations and reduce their costs; and
- Ø developing and implementing procurement plans that provide savings throughout the sourcing process.

We commenced operations in May 2002 with a core group of experienced financial and operational consultants that consisted primarily of former Arthur Andersen LLP partners and professionals, including our chief executive officer, Gary E. Holdren. We created Huron because we believed that a financial and operational consulting business that is unaffiliated with a public accounting firm is better suited to serve its clients needs. As an independent consulting firm, Huron is not subject to the legal restrictions placed on public accounting firms that prohibit them from providing certain non-audit services to their audit clients. We also believed that many other consulting firms provided only a limited scope of services and, therefore, a company such as ours with a wide array of services would be better positioned to serve the diverse and complex needs of various organizations.

We have grown significantly since we commenced operations, more than doubling the number of our consultants from 213 on May 31, 2002 to 486 on September 17, 2004. We have hired experienced professionals from a variety of organizations, including the four largest public accounting firms, referred

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to as the Big Four, and other consulting firms. Our highly credentialed consultants include certified public accountants, MBAs, accredited valuation specialists and forensic accountants. As of September 17, 2004, we had 59 managing directors who are consultants. These individuals have an average of 20 years of business experience.

We provide our services to a wide variety of both financially sound and distressed organizations, including Fortune 500 companies, medium-sized and large businesses, leading academic institutions, healthcare organizations and the law firms that represent these various organizations. Since May 2002, we have conducted over 1,000 engagements for over 500 clients, and we have worked on engagements with 35 of the 40 largest U.S. law firms listed in *The American Lawyer* 2004 Am Law 100. In addition to our headquarters in Chicago, we have five other core offices located in Boston, Houston, New York City, San Francisco and Washington, D.C. and two smaller offices located in Charlotte and Los Angeles.

INDUSTRY BACKGROUND

We believe many organizations are facing increasingly large and complex business disputes and lawsuits, a growing number of regulatory and internal investigations and more intense public scrutiny. Concurrently, we believe increased competition and regulation are presenting significant operational and financial challenges for organizations. Distressed companies are responding to these challenges by restructuring and reorganizing their businesses and capital structures, while financially healthy organizations are striving to capitalize on opportunities by improving operations, reducing costs and enhancing revenue. Many organizations have limited dedicated resources to respond effectively to these challenges and opportunities. Consequently, we believe these organizations will increasingly seek to augment their internal resources with experienced independent consultants like us.

We believe the demand for our services is driven by the following factors:

- **SEC and internal investigations.** The increased scrutiny of accounting practices, internal controls and disclosure has contributed to the large number of financial restatements by public companies. In response to a number of recent incidences of corporate malfeasance and accounting irregularities, the SEC has conducted an increasing number of public company investigations over the past few years. In 2003, the SEC initiated 679 enforcement actions 81 more than in any other prior year including nearly 200 actions involving financial fraud or reporting violations. For fiscal year 2005, the President has requested a record $913 million budget, 13% above the prior fiscal year s appropriation, to hire more staff and continue to enhance SEC oversight and investigation initiatives. In addition, an increasing number of boards of directors, audit committees and special independent committees of companies that have had to review their historical financials or respond to complaints by whistleblowers have conducted internal forensic investigations to determine the underlying facts. These dynamics have driven demand for independent financial consultants like us who help clients respond to SEC investigations, evaluate restatements of financial statements and support internal investigations by combining investigative accounting and financial reporting skills with business and practical experience.

- **Litigation and disputes.** Litigation and business disputes are prevalent in the United States and, we believe, the volume of this activity does not necessarily correlate with the economic cycle. The breadth and magnitude of these matters is increasing. For example, antitrust investigation and enforcement activities by federal, state and local authorities present heightened complexities and risks for companies in the areas of mergers and acquisitions, pricing policies, distribution relationships and patent and intellectual property matters. In addition, private parties can bring antitrust claims asserting a variety of violations. In complex litigation and disputes, organizations and the law firms that represent them regularly engage experienced consultants to provide or support expert testimony or perform data analyses involving financial, economic and accounting issues.

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- Ø **Sarbanes-Oxley and stockholder activism.** The enactment of the Sarbanes-Oxley Act of 2002 has substantially limited the scope of non-audit services that large public accounting firms, such as the Big Four, can provide to their audit clients. We believe these limitations represent a significant opportunity for independent consulting firms. A study done by the Investor Responsibility Research Center in February 2002 of 1,224 public U.S. companies estimated that 72%, or approximately $4.0 billion, of the fees these companies paid to the accounting firm that conducted their audit in fiscal 2000 were for non-audit services. Although a substantial amount of this spending was for tax services, which we do not provide, we believe there is still a significant opportunity to provide the other non-audit services. Further, certain influential institutional investors, citing concerns over perceived conflicts of interest, have opposed the ratification of auditors and the election of directors of companies that engage their auditors to perform permissible non-audit services. We believe that the restrictions of Sarbanes-Oxley, stockholder opposition to auditors performing consulting services for their audit clients and the relatively small number of large public accounting firms will lead many clients to choose independent consulting firms over the Big Four when seeking providers of various consulting services.

- Ø **Operational challenges and opportunities.** Organizations must constantly reevaluate business processes in order to manage change and risk and minimize or recover costs. For example, in the healthcare industry, the steady flow of changes that affect healthcare funding, treatments, delivery and administration increase the difficulty in managing a complex mix of factors, including rising healthcare costs and insurance premiums and the increasing number of uninsured citizens. In the higher education industry, research universities and academic medical centers must develop and maintain programs to effectively manage research compliance risks and implement systems that support the recovery of research costs. Additionally, the difficulties of managing a large number of legal matters compels in-house legal departments to seek ways to improve their efficiency and effectiveness, which drives demand for consultants specializing in legal department operations. In general, a variety of organizations seek to improve their procurement efficiencies, improve operational processes and reduce costs. We believe that in seeking to meet these challenges and capitalize on these opportunities, organizations will increasingly augment their internal resources with consultants who can provide a combination of industry expertise and strong technical skills.

- Ø **Improving economic conditions and merger and acquisition activity.** Despite depressed levels in recent years, there was a rebound in merger and acquisition, or M&A, activity in the first six months of 2004 amidst an improvement in general economic conditions. According to Dealogic, the aggregate dollar value of announced M&A transactions with a deal value of under $5 billion increased approximately 33% in the first six months of 2004 compared to the first six months of 2003. We believe M&A activity creates demand for financial consulting services, such as purchase price allocations and other similar valuation services and dispute and litigation services, as well as operational consulting services, such as performance improvement and strategic sourcing.

- Ø **Financial distress.** Despite the recent decline in corporate bankruptcy filings, we believe there will continue to be a sufficient number of bankruptcies of the size and complexity that typically require debtors and other constituents to retain the services of financial advisors. Additionally, we believe there is an ongoing need for restructuring and turnaround consulting services to assist financially distressed, under-performing and debt-laden companies and their stakeholders outside of the bankruptcy process.

OUR COMPETITIVE STRENGTHS

We believe the following key strengths will enable us to take advantage of the industry trends described above and help us compete effectively in the consulting marketplace:

- Ø **Experienced and highly qualified consultants.** We believe the principal reason clients choose a particular consulting firm is the experience of the firm s professionals. As of September 17, 2004, our

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59 managing directors who are consultants have an average of 20 years of business experience and come from a wide array of organizations, including national accounting firms and other consulting firms. Our consultants combine proficiency in accounting, finance, economics and operations with deep knowledge of specific industries. In addition, many of our consultants are highly credentialed and include certified public accountants, MBAs, accredited valuation specialists and forensic accountants.

Ø **Independent provider of financial and operational consulting services.** We are not affiliated with an accounting firm and, therefore, we are not constrained by the provisions of Sarbanes-Oxley that limit an accounting firm s ability to provide non-audit services to its audit clients. We believe that these restrictions, together with the perceived conflicts of interests inherent with auditors providing consulting services to their audit clients, provide us with a competitive advantage over public accounting firms in securing consulting engagements. We also believe that the relatively small number of large public accounting firms will lead some organizations to engage independent consultants like us to preserve their flexibility to hire large public accounting firms for audit or other attest services.

Ø **Complementary service offerings and integrated approach.** Many problems faced by organizations involve broad but interrelated operational and financial issues that require creative solutions drawn from various areas of expertise. We offer a broad array of financial and operational consulting services that can be delivered through teams of consultants from our different practices. Our integrated approach enables us to provide solutions tailored to specific client needs. For example, in a securities fraud lawsuit, we can deploy a team of forensic accountants to review a client s historical accounting and financial reporting practices and a valuation specialist to perform impairment analyses. In addition, our range of service offerings reduces our dependence on any one service offering or industry, provides a stimulating work environment for our consultants and enhances our flexibility in managing the utilization and career development of our directors, managers, associates and analysts.

Ø **Distinctive culture.** We believe we have been successful in attracting and retaining top talent because of our distinctive culture, which combines the energy and flexibility of a high-growth company with the professionalism of a major professional services firm. To preserve our distinctive culture, our chief executive officer or chief operating officer has personally interviewed each managing director candidate prior to making an offer of employment. We believe our performance-based compensation program, which both recognizes individual performance and reinforces teamwork, also contributes to our recruiting and retention success. In our view, these elements combine to create an environment in which talented, self-directed professionals want to build a long-term career.

OUR GROWTH STRATEGY

Our strategy to increase our revenues and grow our company involves the following key elements:

Ø **Attracting additional highly qualified consultants.** From May 31, 2002 through September 17, 2004, we more than doubled the number of our consultants from 213 to 486. We have six human resource professionals dedicated to recruiting employees who will complement and add depth to our broad array of existing consulting skills. We believe our stimulating work environment, performance-based compensation program and distinctive culture will enable us to attract additional top talent from other consulting firms, accounting firms, targeted industries and on-campus recruiting. Although we do not expect to add employees at our historical growth rate, we expect to continue to hire a meaningful number of new consultants in the future as demand for our various services continues to grow. The actual number and experience level of consultants to be hired will be in response to our assessments of future market conditions and demand for our services. In the near term, our focus will primarily be on hiring and developing additional managers, associates and analysts to expand support for our existing practices and better leverage the managing directors and directors that we hired in 2003. We will also continue in the near term to hire talented managing directors to build our business.

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- Ø **Growing our existing relationships and developing new relationships.** We work hard to maintain and grow our existing client and law firm relationships. The goodwill created from these relationships leads to referrals from satisfied clients and their law firms, which also enables us to secure engagements with new clients.

- Ø **Continuing to promote and deliver an integrated approach to service delivery.** We will continue to utilize our experience with the financial and operational challenges facing our clients to identify and provide additional value-added services as part of an integrated solution. Frequently, a particular engagement is expanded or a new engagement secured with an existing client as a direct result of our quality work for that client. To promote the teamwork required to provide integrated solutions, we evaluate and compensate individuals based on their contributions to our entire organization, not just on the performance of their particular engagements or practices.

- Ø **Continuing to build our brand.** We intend to continue to build our reputation and a common identity for the services we provide under the Huron brand name. We believe that using a common brand name and identity for our services enhances our visibility in the marketplace and improves our ability to compete for new business. To enhance our brand, we actively promote our name and capabilities through our sales and marketing activities, such as participation in seminars, sponsorship of client events and publication of articles in industry periodicals. We also are continuing to develop internal quality assurance programs to support our goal of consistently providing high quality, client-focused services.

- Ø **Expanding our service offerings.** We believe there will be opportunities to expand our current capabilities or broaden the scope of our existing services, and we will evaluate these in response to client and general market demands. If we choose to expand our service offerings, we believe that we can grow our business to address such expansion with our existing consultants or a combination of existing consultants and new hires. We may also evaluate select acquisitions of complementary businesses as another means to broaden the scope or depth of our capabilities and expand our client base.

Our ability to implement our growth strategy is subject to a number of risks, including those described under the section of this prospectus entitled Risk Factors concerning our consultants, our reputation, new service offerings and our intellectual property.

OUR SERVICES

We provide our services through two segments: Financial Consulting and Operational Consulting. For the year ended December 31, 2003 and the six months ended June 30, 2004, we derived 68.9% and 62.3%, respectively, of our revenues from Financial Consulting and 31.1% and 37.7%, respectively, from Operational Consulting. For further information on our segment results, see the section of this prospectus entitled Management s discussion and analysis of financial condition and results of operations and Note 12 to our consolidated financial statements included elsewhere in this prospectus.

Financial Consulting

Our Financial Consulting segment provides highly specialized financial and economic analysis and advice to help clients effectively address complex challenges that arise from litigation, disputes, investigations, regulation, financial distress and other sources of significant conflict or change. Our Financial Consulting segment consisted of 286 consultants as of September 17, 2004. This segment s practices and the services they offer include:

- **Disputes and investigations.** Our disputes and investigations practice provides financial and economic analysis to support law firms and corporations in connection with business disputes, lawsuits and regulatory or internal investigations. We have extensive experience in the areas of financial investigations and forensic accounting, including matters involving SEC or other regulatory

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inquiries or investigations, financial restatements and special accounting projects. We provide specialized accounting services to gather and analyze voluminous financial data and reconstruct complex transactions and events. In addition, we apply economic and econometric analyses in the areas of antitrust and anticompetitive practices, securities fraud, insurance claims and damages, as well as deliver or support independent expert testimony in such cases. We also provide services supporting clients paper and electronic discovery/document management needs, including computer forensics.

Ø **Corporate advisory services.** Our corporate advisory services practice provides financial analysis to financially distressed companies, creditor constituencies and other stakeholders in connection with bankruptcy proceedings and out-of-court restructurings. For distressed companies, we assess the viability of their business and work closely with management to develop and implement a turnaround plan to improve cash flow and a debt-restructuring plan to improve their balance sheet. In some instances, we serve in interim management roles. When out-of-court solutions are not achievable, we assist clients with preparing for a Chapter 11 bankruptcy filing and with all aspects of the bankruptcy process by gathering, analyzing and presenting financial and business information needed to achieve a successful reorganization. We also provide claims management services to help companies process and analyze complex and voluminous claims filed in bankruptcies. For creditor constituencies, including committees of unsecured creditors, we provide similar financial analyses designed to maximize the recovery of amounts owed to creditors and assess the viability of a debtor s reorganization plan. Certain consultants in this practice also provide specialized financial advisory services to stakeholders in the energy industry.

Ø **Valuation services.** Our valuation services practice delivers expert valuation analysis to clients and their advisors. We perform valuations and appraisals of businesses and business interests, intellectual property, real property, machinery, equipment and other tangible and intangible assets. Our valuation services practice typically supports client needs in the following contexts:

transactions: supporting clients financial and tax reporting, especially in the context of acquisitions and other corporate transactions;

litigation or disputes: valuing businesses or assets; and

bankruptcies: supporting the restructuring process or the sale of business assets.

Operational Consulting

Our Operational Consulting segment provides services designed to help clients improve the overall efficiency and effectiveness of their operations by enhancing revenue, reducing costs, managing regulatory compliance and maximizing procurement efficiencies. Our Operational Consulting segment consisted of 200 consultants as of September 17, 2004. This segment s practices and the services they offer include:

Ø **Higher education.** Our higher education practice provides operational consulting services to research universities and academic medical centers. We provide financial modeling, operational process redesign, strategic planning and assessments and advice on software selection and implementation, especially in connection with helping research universities address the challenges and complexities of administering research programs, including the complex requirements of federally-funded research. Our research administration services include compliance assessments, cost recovery services and operations assistance. We also have extensive experience implementing the PeopleSoft® Grants Suite as a technology solution to sponsored research administration challenges.

- **Healthcare.** Our healthcare practice helps healthcare providers and payors effectively address their strategic, operational and financial challenges. On the provider side, we help hospitals, physicians and other healthcare providers improve operations by performing assessments and implementing solutions

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designed to reduce costs and increase effectiveness. Our engagements typically focus on revenue cycle and cash acceleration, supply chain improvements, strategic growth and planning, financial planning and physician services. For healthcare payors, we focus on compliance and government contracting issues, such as with Medicare, the U.S. health insurance program for people age 65 and older and certain others, and TRICARE, the U.S. military health system. Our Medicare contract services include Medicare contract transition and termination assistance, implementation of cost accounting standards, secondary payer analyses, strategic assessments and proposal support services. We also assist pharmaceutical companies with pricing analyses and related aspects of regulatory disclosures and calculations.

- **Strategic sourcing.** Our strategic sourcing practice works with clients to drive sustainable non-salary cost reductions. We help clients achieve significant savings by addressing the entire procurement process, including contract negotiations, vendor selection, consumption patterns, total cost of ownership, performance measurement, knowledge transfer and make-versus-buy decisions. We identify opportunities for measurable savings, develop approved action plans and guide the implementation of those plans to final conclusion. We have achieved substantial savings for clients in a wide variety of spend categories, including office-related products, telecommunications, IT hardware, software and services, insurance, printing services, travel and industry-specific categories.

- **Performance improvement.** Our performance improvement practice works with executive officers and other senior managers of large and middle-market organizations that have recently undergone a change in leadership, are integrating acquisitions or are coping with a change in competitive dynamics to address performance challenges and take advantage of opportunities. Our engagements typically aim to increase effectiveness of operations or decrease costs by developing and implementing solutions for clients in areas such as business process improvement, supply chain design, organization design and strategy.

- **Legal business consulting.** Our legal business consulting practice helps in-house legal departments enhance the quality of legal services while reducing costs by more efficiently aligning people, processes and technology. We provide strategic advice to help legal departments improve their organizational design, business processes and management of outside counsel. One area of special emphasis is helping clients to choose and implement technology-powered solutions that improve legal department operations. For instance, we have extensive experience in selecting, customizing and successfully rolling out matter management systems that help legal departments track and manage lawsuits and other legal matters. These systems are powerful tools for managing budgets, spending and resources. We also provide similar services for document-management systems, patent-management applications and electronic-billing systems.

OUR CLIENTS

We provide financial and operational consulting services to a wide variety of both financially sound and distressed organizations, including Fortune 500 companies, medium-sized and large businesses, academic institutions, healthcare organizations and the law firms that represent these various organizations. Our clients are in a broad array of industries, including education, professional services, transportation services, healthcare, telecommunications, financial services, electronics, consumer products, energy and utilities, industrial manufacturing and food and beverage. Since commencing operations in May 2002, we have conducted over 1,000 engagements for over 500 clients. Our top ten clients represented 32.1% of our revenues in the year ended December 31, 2003 and 32.5% of our revenues in the six months ended June 30, 2004. No single client accounted for more than 10% of our revenues in either of those periods. The following are examples of engagements that we have performed for our clients.

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Financial Consulting

Practice(s)	Client need	Huron solution
Disputes and investigations and valuation services	Assist legal counsel for an audit committee of a public software company in connection with an SEC investigation and class action litigation	Ø Forensic accounting experts conducted a large-scale, in-depth financial analysis of financial records and analyzed issues such as revenue recognition, acquisition accounting, capitalization of assets, complex transactions and goodwill impairment to identify accounting errors. Ø Consultants specializing in GAAP assisted the client with preparation of the restatement of its financial statements and presentations to the SEC. Ø Computer forensics experts assisted legal counsel in gathering data by capturing copies of servers, hard drives and emails and searching these sources for use in the restatement and litigation.
Corporate advisory services	Assist with Chapter 11 bankruptcy proceedings of a healthcare provider	Ø Analyzed the operations of the company to predict revenue going forward to demonstrate the viability of the company. Ø With the involvement of our healthcare practice, assisted in the evaluation of the company s operating expenses during the bankruptcy proceedings and the negotiation of the terms of the debtor-in-possession financing. Ø Served as the interface between creditors committees and their advisors by addressing information requests and managing meetings and other committee-related issues. Ø Analyzed the feasibility of the company s projections in the plan of reorganization with the assistance of the healthcare practice and provided written testimony on this analysis at the reorganization plan confirmation hearing.
Valuation services	Value assets of acquired company for purchase price allocation by a global media company	Ø Analyzed the fair market value of the assets of the acquired company, including tangible assets, customer relationships, favorable contracts, franchise value and goodwill. Ø Determined the remaining life of the assets as well as tested for impairment of the assets in other operating units to support financial reporting requirements.

Operational Consulting

Practice(s)	Client need	Huron solution
Higher education and strategic sourcing	Assess research administration infrastructure of a leading university due to dramatic growth in research volume and increased scrutiny of federal regulations	Ø Evaluated current operations and provided a plan for implementation of improvements to research administration infrastructure, including: rolesand responsibilities within central university units and departmental units; organizationalstructure of the research enterprise, including its relationship with other university entities; businessprocesses; informationsystems; personnel; trainingand educational programs; and performancemeasures for central research units. Ø Evaluated the exposure of the primary research support units to financial and operational risks relating to research universities. Ø Assessed impact of plans to replace university-wide financial systems on research administration support services. Ø Our strategic sourcing practice is currently identifying areas where the university could reduce its costs of procuring goods and services, such as through library services, scientific supplies or office-related products.
Healthcare	Improve operating margins of healthcare provider	Ø Comprehensive assessment of performance levels related to operating costs, supply costs, revenue cycle and organizational structure efficiency. Ø Quantified and prioritized areas of potential opportunity for change, growth and/or improvement, including revenue management, use of supplies and efficiency of information systems. Ø Developed plans for annualized improvements in: supplychain; revenuecycle; and informationtechnology.

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Practice(s)	Client need	Huron solution
Legal business consulting	Develop cost saving initiatives for pharmaceutical company s recently expanded legal department	Ø Analyzed processing of legal matters through various phases and the distribution and management of legal work by internal and outside staff. Ø Developed cost saving initiatives to improve organizational design, outside counsel management and business process. Ø Assisted with the implementation of an interim matter management system for litigation and the selection of a new department-wide matter management system that will be implemented over a period of time.

EMPLOYEES

Our ability to bring the right expertise together to address client issues requires a willingness to work and think outside the bounds of a single practice or specialty. Our success depends on our ability to attract and retain highly talented professionals by creating a work environment where individuals and teams thrive and individuals are rewarded for their contributions and our successes. To accomplish those goals and recognize performance, we have adopted a comprehensive rewards program incorporating compensation, training and development opportunities, performance management and special recognition programs.

As of September 17, 2004, we had 604 employees, consisting of 486 consultants and 118 non-billable professionals. The 486 consultants consisted of 59 managing directors, 70 directors, 108 managers and 249 associates and analysts. Of these consultants, 129 have a master s degree in business administration, 78 are certified public accountants and various others are accredited valuation specialists and forensic accountants. Our managing directors serve clients as advisors and engagement team leaders, originate revenue through new and existing client relationships, and work to strengthen our intellectual capital, develop our people and enhance our reputation. Our directors and managers manage day-to-day client relationships and oversee the delivery and overall quality of our work product. Our associates and analysts gather and organize data, conduct detailed analyses and prepare presentations that synthesize and distill information to support recommendations we deliver to clients.

Our 118 non-billable professionals at September 17, 2004 consisted of 8 managing directors, 19 directors, 15 managers, 43 associates and analysts and 33 assistants. Our non-billable professionals include our senior management team, senior client relationship managers and legal, finance, information technology, marketing and human resource personnel.

We assimilate and support employees in their career progression through training and development programs. We have structured orientation and training programs for new analysts, milestone programs to help recently promoted employees quickly become effective in their new roles, and opportunities for self-directed training, including technical and consulting courses. We assign employees internal performance coaches to identify opportunities for development, formal training or certifications.

Our compensation plan includes competitive base salary, incentives and benefits. Under our incentive plan, directors, managers, associates and analysts set goals each year with a performance coach. These

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goals are aligned with our business goals as well as individual interests and development needs. The plan balances our value of teamwork with recognition of individual performance, and incentive compensation is tied to both team and individual performance. Incentives for managing directors are based on their individual performance and their contribution to their practice and to our business as a whole. Funding of the managing director incentive pool is based on our achievement of annual financial goals. In addition, managing directors, directors and managers are eligible for long-term equity incentives.

BUSINESS DEVELOPMENT AND MARKETING

Business development

Our business development activities aim to build relationships and a strong brand reputation with key sources of business and referrals, especially top-tier law firms and the offices of the chief financial officer and general counsel of organizations. We believe that excellent service delivery to clients is critical to building relationships and our brand reputation, and we emphasize the importance of client service to all of our employees.

We generate most of our new business opportunities through relationships that our managing directors have with individuals working in corporations, academic institutions, existing or former clients and top-tier law firms. Although some managing directors spend more time on service delivery than new business development, all of our managing directors understand their important role in ongoing relationship and business development, which is reinforced through our compensation and incentive program. We actively seek to identify new business opportunities, and we frequently receive referrals and repeat business from past and current clients and from the law firms with which we have worked.

In addition, to complement the business development efforts of our managing directors, we recently formed a group of senior client relationship managers, who are focused exclusively on developing client relationships and generating new business through their extensive network of contacts. We also have formed relationships with prominent academics, which we believe may generate new business opportunities.

Marketing

We have a centralized marketing department with a marketing professional assigned to each of our practices. The centralized department coordinates these professionals   activities, and also develops and coordinates traditional marketing programs, such as participation in seminars, sponsorship of client events and publication of articles in industry publications to actively promote our name and capabilities. The marketing department also manages public relations activities, develops printed marketing materials and performs research and database management to support sales efforts.

COMPETITION

The consulting services industry is extremely competitive, highly fragmented and subject to rapid change. The industry includes a large number of participants with a variety of skills and industry expertise, including other business operations and financial consulting firms, general management consulting firms, the consulting practices of major accounting firms, technical and economic advisory firms, regional and specialty consulting firms and the internal professional resources of organizations. We compete with a large number of service providers in both of our segments. Our competitors often vary depending on the particular practice area. In addition, we also expect to continue to face competition from new entrants because the barriers to entry into consulting services are relatively low.

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We believe the principal competitive factors in our market include firm and consultant reputations, client and law firm relationships and referrals, the ability to attract and retain top consultants, the ability to manage engagements effectively and the ability to be responsive and provide high quality services. There is also competition on price, although to a lesser extent due to the critical nature of many of the issues that the types of services we offer address. Many of our competitors have a greater geographic footprint, including an international presence, and name recognition, as well as have significantly greater personnel, financial, technical and marketing resources than we do. We believe that our independence, experience, reputation, industry focus and broad range of professional services enable us to compete favorably and effectively in the consulting marketplace.

FACILITIES

Our principal executive offices are located in a leased facility in Chicago, Illinois, consisting of approximately 62,000 square feet of office space, under a ten-year lease that expires in May 2014. Total annual rent expense for this facility for 2004, including base rent, operating expenses and taxes, will equal $1.7 million. This lease contains scheduled base rent increases over the term of the lease. We have two five-year renewal options under the lease that will allow us to continue to occupy this office space until May 2024. We also have an ongoing expansion option that allows us to lease additional space at such time as the additional space is available for lease, subject to specified notice and election provisions contained in the lease agreement. This facility accommodates our executive team and corporate departments, as well as consultants in each of our practices. We also occupy leased facilities for our five other core offices located in Boston, Houston, New York City, San Francisco and Washington, D.C., as well as smaller offices located in Charlotte and Los Angeles. We do not own any real property. We believe that our leased facilities are adequate to meet our current needs and that additional facilities are available for lease to meet future needs.

LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the date of this prospectus, we are not a party to or threatened with any litigation or other legal proceeding that, in our opinion, could have a material adverse effect on our business, operating results or financial condition.

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Management