Huron Consulting Group Inc.
Form S-1
January 11, 2006
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**As filed with the Securities and Exchange Commission on January 11, 2006.**

**Registration No. 333-**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# 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)**

**Natalia Delgado**

**General Counsel and Corporate Secretary**

**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)**

***Copies To:***

**Michael L. Hermsen, Esq.**
**Mayer, Brown, Rowe & Maw LLP**
**71 South Wacker Drive**
**Chicago, Illinois 60606**
**(312) 782-0600**

**Herbert S. Wander, Esq.**
**Adam R. Klein, Esq.**
**Katten Muchin Rosenman LLP**
**525 West Monroe Street**
**Chicago, Illinois 60661**
**(312) 902-5200**

**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. ¨

## CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee(3) |
|---|---|---|
| Common stock, par value $.01 per share | $ 113,528,000 | $ 12,147.50 |

(1) Estimated solely for the purpose of computing the registration fee in accordance with Rule 457(c) of the Securities Act of 1933, as amended, based upon the average of the high and low reported sales prices of the common stock on the NASDAQ National Market on January 4, 2006.
(2) Includes shares that may be sold, if any, pursuant to the underwriters overallotment option.
(3) A registration fee of $13,226.89 has already been paid with respect to the registration of securities by the Registrant pursuant to Registration Statement No. 333-127933, filed on August 29, 2005, which were not sold thereunder. The previously paid fee will be applied to the registration fee due for this registration statement pursuant to Rule 457(p) under the Securities Act of 1933.

**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. The selling stockholder may not 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 the selling stockholder is not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.**

PRELIMINARY PROSPECTUS Subject to Completion January 11, 2006

# 4,000,000 Shares

# Common Stock

All of the shares of our common stock in the offering are being sold by HCG Holdings LLC, the selling stockholder. We will not receive any proceeds from the sale of any shares of our common stock in this offering.

Our common stock is quoted on the NASDAQ National Market under the symbol HURN. The last reported sale price of our common stock on January 10, 2006 was $25.14 per share.

**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 11 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 the selling stockholder | $ | $ |

The underwriters may also purchase up to an additional 600,000 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 , 2006.

*Joint Book-Running Managers*

**UBS Investment Bank** **William Blair & Company** **Deutsche Bank Securities**

**Robert W. Baird & Co.**

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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. The selling stockholder is 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, regardless of the time of delivery of this prospectus or any sale of our common stock.

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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 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 services in this segment include financial and economic analysis; forensic accounting; expert support and testimony services; restructuring, turnaround and bankruptcy advisory services; valuation analysis; and interim management, organizational renewal and turnaround services and other crisis management services. 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. For both the year ended December 31, 2004 and the nine months ended September 30, 2005, we derived 57.9% of our revenues from Financial Consulting and 42.1% 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 businesses, leading academic institutions, healthcare organizations and the law firms that represent these various organizations. Since commencing operations in May 2002, we have conducted over 2,500 engagements for over 1,400 clients, and we have worked on engagements with 37 of the 40 largest U.S. law firms listed in *The American Lawyer* 2005 Am Law 100.

As of December 31, 2005, we had 773 employees, including 632 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

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Andersen LLP partners and professionals, including our Chief Executive Officer, Gary E. Holdren, with equity sponsorship from a group of investors led by Lake Capital Management LLC. For purposes of holding their investment in us, these investors formed HCG Holdings LLC, a Delaware limited liability company. HCG Holdings LLC, the selling stockholder in this offering, currently owns approximately 50.5% of our outstanding common stock. After giving effect to this offering (without giving effect to the underwriters over-allotment option), HCG Holdings LLC will own approximately 27.3% of our outstanding common stock. As a result, HCG Holdings LLC will continue to have the power to significantly influence the outcome of all matters submitted to our stockholders for approval after the consummation of this offering. See Prospectus summary HCG Holdings LLC, 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 believe that many other consulting firms provide 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 October 2004, we completed our initial public offering and our common stock began trading on the NASDAQ National Market.

In May 2005, we acquired Speltz & Weis LLC, a specialized consulting firm that consisted of 26 consultants, so that our Financial Consulting segment can provide interim management, organizational renewal and turnaround services and other crisis management services to distressed hospitals and other healthcare facilities.

**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 engagements. We also believe that the relatively small number of large public accounting firms leads 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.

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## OUR GROWTH STRATEGY

We have grown significantly since we commenced operations, nearly tripling the number of our consultants from 213 on May 31, 2002 to 632 on December 31, 2005. 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. We intend to focus on the following principal client areas: (1) lawyers and their law firms; (2) the general counsel of Fortune 1000 companies; (3) higher education and research institutions; (4) the healthcare sector (which includes providers, payors and pharmaceutical companies); (5) distressed companies and industries; and (6) the CFOs and COOs of companies with revenues of $1 billion to $20 billion.

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. For example, given the challenges faced by general counsels regarding legal compliance and litigation management, we believe the general counsel market represents a large growth opportunity.

Ø **Pursuing strategic acquisitions.** We intend to evaluate select acquisitions of complementary businesses as another means to broaden the scope or depth of our capabilities and expand our client base.

## 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:

Ø 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;

- Ø 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;

- 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 11. You should consider carefully all of these risks before making an investment in our common stock.

**HCG HOLDINGS LLC**

HCG Holdings LLC, the selling stockholder in this offering, currently owns approximately 50.5% of our outstanding common stock. After giving effect to this offering (without giving effect to the underwriters over-allotment option), HCG Holdings LLC will own approximately 27.3% of our outstanding common stock. 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 23 of our other managing directors, three of our board members and 31 other holders. Our executive officers and board members holding interests in HCG Holdings LLC include George Massaro, our Vice Chairman and a board member, Gary Burge, our Chief Financial Officer, Daniel Broadhurst, our Vice President of Operations, and John McCartney, a board member. These individuals collectively hold 0.4% of the common interests in HCG Holdings LLC. Prior to consummation of this offering, HCG Holdings LLC will redeem the 1.7% common membership interest formerly held by Gary Holdren, our Chief Executive Officer and a board member, in exchange for 149,347 shares of our common stock owned by HCG Holdings LLC and certain cash consideration. These shares of common stock will not be sold in this offering. In addition, Paul Yovovich, a board member, is president and a member of Lake Capital Management LLC and controls Lake Capital Partners LP. Mr. Yovovich also directly holds 3.0% of the common interests in HCG Holdings LLC. In recognition of the substantial reduction in HCG Holdings LLC s ownership percentage following this offering, Mr. Yovovich has advised us that he intends to resign from our board in connection with this offering.

## POST-OFFERING CORPORATE STRUCTURE AND OWNERSHIP

The following organizational chart sets forth the corporate structure and percentage ownership of common interests 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 does not give effect to 1,304,688 shares of common stock issuable upon the exercise of outstanding options at December 31, 2005.

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(1) The common interests in HCG Holdings LLC held by this group reflects the interests held by 23 of our managing directors that are not executive officers. None of these 23 managing directors owns more than 1.0% of the common interests in HCG Holdings LLC.

(2) Lake Capital Partners LP and Lake Capital Management LLC own 40.9% and 0.1%, respectively, of the common interests in HCG Holdings LLC and 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 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

*(Footnotes continued on following page.)*

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 4.0% and 3.0%, respectively, of the common interests in HCG Holdings LLC.

(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 31.5% 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., each of which owns 3.1%, 1.1%, 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 28 other investors holding the interests. None of the holders in this group own more than 1.0% of the common interests in HCG Holdings LLC, except for The Hamilton Companies LLC, which owns 1.4% of the common interests.

(5) For purposes of this chart, Mr. Holdren has been attributed with ownership of 3.0% of the common stock, which is held in a trust for the benefit of the family of Mr. Holdren. See Principal and selling stockholders.

## CORPORATE INFORMATION

We were incorporated in Delaware in March 2002 and commenced operations in May 2002. We conduct all of our consulting activities through our wholly-owned subsidiaries, Huron Consulting Services LLC and Speltz & Weis 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 the selling stockholder | 4,000,000 shares |
| Common stock to be outstanding immediately after this offering | 17,248,379 shares |
| Over-allotment option | 600,000 shares to be offered by the selling stockholder if the underwriters exercise the over-allotment option in full. |
| NASDAQ National Market symbol | HURN |
| Use of proceeds | We will not receive any proceeds from the sale of shares by the selling stockholder. |

Unless otherwise indicated, all information in this prospectus assumes the underwriters do not exercise their over-allotment option, which entitles them to purchase up to 600,000 additional shares of our common stock from the selling stockholder.

The number of shares of our common stock outstanding immediately after this offering is based on the number of shares outstanding at December 31, 2005. This number does not include:

- Ø 1,304,688 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 $2.15 per share; and
- Ø 597,747 shares reserved and available for future grant or issuance under our 2004 Omnibus Stock Plan.

We have agreed to pay the expenses associated with this offering, other than the underwriting discounts and commissions.

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# Summary historical consolidated and pro forma financial and other operating data

We have derived the following summary historical consolidated financial data for the period from March 19, 2002 (inception) to December 31, 2002 and for the years ended December 31, 2003 and 2004 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the following summary historical consolidated financial data for the nine months ended September 30, 2004 and 2005 and as of September 30, 2005 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments of a normal recurring nature necessary for the fair presentation of our results of operations and financial position for such periods.

The historical consolidated statements of operations and other operating data for the nine months ended September 30, 2005 includes the results of operations and other operating data of Speltz & Weis LLC since May 9, 2005, the date of its acquisition. In order to present data that is useful for comparative purposes, we have provided pro forma statements of operations data for the year ended December 31, 2004 and the nine months ended September 30, 2005, which gives pro forma effect to our May 2005 acquisition of Speltz & Weis LLC as if the acquisition was consummated at the beginning of the periods presented. The pro forma statements of operations data is not necessarily indicative of what actually would have occurred if the acquisition had been effective for the periods presented and should not be taken as representative of our future consolidated results of operations.

The summary historical consolidated and pro forma financial and other operating data 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, our consolidated financial statements and related notes, Speltz & Weis LLC s financial statements and related notes and the unaudited pro forma financial statements and related notes, in each case, included elsewhere in this prospectus.

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| Consolidated statements of operations data: | Mar. 19, 2002 (inception) to Dec. 31, 2002 | Year Ended December 31, 2003 | Year Ended December 31, 2004 | Year Ended December 31, Pro Forma 2004 (unaudited) | Nine Months Ended September 30, 2004 | Nine Months Ended September 30, 2005 | Nine Months Ended September 30, Pro Forma 2005 (unaudited) |
|---|---|---|---|---|---|---|---|
| | (in thousands, except per share and other operating data) | | | | | | |
| Revenues | $ 35,101 | $ 101,486 | $ 159,550 | $ 178,577 | $ 118,713 | $ 151,586 | $ 159,867 |
| Reimbursable expenses | 2,921 | 8,808 | 14,361 | 16,024 | 10,315 | 13,901 | 14,686 |
| Total revenues and reimbursable expenses | 38,022 | 110,294 | 173,911 | 194,601 | 129,028 | 165,487 | 174,553 |
| Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses)(1): | | | | | | | |
| Direct costs | 26,055 | 69,374 | 92,270 | 105,311 | 69,672 | 81,653 | 87,843 |
| Stock-based compensation | | 27 | 978 | 978 | 330 | 3,641 | 3,641 |
| Intangible assets amortization | | | | 1,900 | | 1,067 | 2,024 |
| Reimbursable expenses | 2,921 | 8,929 | 14,281 | 15,944 | 10,226 | 14,065 | 14,847 |
| Total direct costs and reimbursable expenses | 28,976 | 78,330 | 107,529 | 124,133 | 80,228 | 100,426 | 108,355 |
| Operating expenses: | | | | | | | |
| Selling, general and administrative | 8,813 | 25,171 | 40,425 | 40,736 | 28,411 | 36,251 | 36,322 |
| Stock-based compensation | | 14 | 433 | 433 | 113 | 1,352 | 1,352 |
| Depreciation and amortization | 3,048 | 5,328 | 2,365 | 2,790 | 1,682 | 3,861 | 4,059 |
| Restructuring charges | | | 3,475 | 3,475 | 3,475 | | |
| Management and advisory fees paid to related parties | 2,750 | | | | | | |
| Loss on lease abandonment | | 1,668 | | | | | |
| Organization costs | 965 | | | | | | |
| Total operating expenses | 15,576 | 32,181 | 46,698 | 47,434 | 33,681 | 41,464 | 41,733 |
| Operating income (loss) | (6,530) | (217) | 19,684 | 23,034 | 15,119 | 23,597 | 24,465 |
| Other (income) expense: | | | | | | | |
| Interest (income) expense, net | 332 | 856 | 692 | 796 | 735 | (313) | (276) |
| Other (income) expense | 1 | 112 | | | | 36 | 36) |
| Total other (income) expense | 333 | 968 | 692 | 796 | 735 | (277) | (240) |
| Income (loss) before provision (benefit) for income taxes | (6,863) | (1,185) | 18,992 | 22,238 | 14,384 | 23,874 | 24,705 |
| Provision (benefit) for income taxes | (2,697) | (122) | 8,128 | 9,810 | 6,042 | 10,624 | 11,084 |
| Net income (loss) | (4,166) | (1,063) | 10,864 | 12,428 | 8,342 | 13,250 | 13,621 |
| Accrued dividends on 8% preferred stock | 646 | 1,066 | 931 | 931 | 857 | | |
| Net income (loss) attributable to common stockholders | $ (4,812) | $ (2,129) | $ 9,933 | $ 11,497 | $ 7,485 | $ 13,250 | $ 13,621 |
| Net income (loss) attributable to common stockholders per share(2): | | | | | | | |
| Basic | $ (0.41) | $ (0.18) | $ 0.77 | $ 0.90 | $ 0.57 | $ 0.85 | $ 0.87 |
| Diluted | $ (0.41) | $ (0.18) | $ 0.72 | $ 0.84 | $ 0.53 | $ 0.79 | $ 0.81 |
| Weighted average shares used in calculating net income (loss) attributable to common stockholders per share(2): | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Basic | 11,803 | 11,871 | 12,820 | 12,820 | 12,068 | 15,657 | 15,657 |
| Diluted | 11,803 | 11,871 | 13,765 | 13,765 | 13,045 | 16,801 | 16,801 |
| Cash dividend per common share(3) | $ | $ | $ 0.09 | $ 0.09 | $ | $ | $ |

*(See footnotes on the following page.)*

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| Other operating data (unaudited): | Mar. 19, 2002 (inception) to Dec. 31, 2002 | Year Ended December 31, 2003 | Year Ended December 31, 2004 | Nine Months Ended September 30, 2004 | Nine Months Ended September 30, 2005 |
|---|---|---|---|---|---|
| Number of consultants (at end of period)(4) | 262 | 477 | 483 | 489 | 626 |
| Average number of consultants (for the period) | 247 | 361 | 485 | 485 | 543 |
| Utilization rate(5) | 57.3% | 66.1% | 72.2% | 70.5% | 76.2% |
| Average billing rate per hour(6) | $ 206 | $ 217 | $ 239 | $ 237 | $ 249 |

| Consolidated balance sheet data: | As of September 30, 2005 (unaudited) (in thousands) |
|---|---|
| Cash and cash equivalents | $ 21,875 |
| Working capital | $ 46,341 |
| Total assets | $ 115,402 |
| Long-term debt(7) | $ 2,000 |
| Total stockholders equity | $ 69,607 |

(1) *Intangible assets amortization relating to customer contracts is presented as a component of total direct costs. Depreciation, amortization of leasehold improvements and amortization of intangible assets relating to customer relationships are presented as a component of operating expenses.*

(2) *Adjusted for a 1 for 2.3 reverse stock split effected on October 5, 2004.*

(3) *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 $9.64 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.*

(4) *Consultants consist of our billable professionals, excluding interns and independent contractors.*

(5) *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.*

(6) *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.*

(7) *Consists of notes payable, net of current portion, issued in connection with the acquisition of Speltz & Weis LLC.*

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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, George Massaro, our Vice Chairman, Daniel Broadhurst, our Vice President of Operations, Gary Burge, our Chief Financial Officer and Treasurer, and other managing directors, and our ability to retain them is particularly important to our future success. During 2006, Mr. Massaro intends to reduce his workload to a part time, or approximately one-third, basis and to dedicate his efforts to strategic initiatives for us, including major client assignments. 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. In addition, our executive officers holding interests in HCG Holdings LLC consist of Messrs. Massaro, Broadhurst and Burge. These individuals collectively hold 0.3% of the common interests in HCG Holdings LLC. If any of the above-described individuals realize substantial financial benefits as a result of their securities ownership in HCG Holdings LLC, their financial incentive to stay with us may be reduced. 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 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

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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.

### We have experienced net losses for a significant portion 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 $10.9 and $13.3 million for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively, we may not sustain profitability in the future. 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. To sustain profitability, we must:

Ø attract, integrate, retain and motivate highly qualified consultants;

Ø achieve and maintain adequate utilization and suitable billing rates for our consultants;

Ø expand our existing relationships with our clients and identify new clients in need of our services;

Ø maintain and enhance our brand recognition; and

Ø 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 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, nearly tripling the number of our consultants from 213 on May 31, 2002 to 632 as of December 31, 2005. 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 becoming a public reporting company and the increased expense incurred 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.

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**Risk factors**

**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:

- the number and size of client engagements;
- the timing of the commencement, completion and termination of engagements, which in many cases is unpredictable;
- 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 is 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, 27.8% of our revenues in the year ended December 31, 2004 and 37.8% of our revenues in the nine months ended September 30, 2005. One of our clients accounted for 11.6% of our revenues in the nine months ended September 30, 2005 and represented 10.2% of our receivables and unbilled services balance as of September 30, 2005. Our clients typically retain us on an engagement-by-engagement basis, rather than under fixed-term contracts; 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.

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**Risk factors**

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. For clients in bankruptcy, a bankruptcy court could elect not to retain our interim management consultants, terminate our retention, require us to reduce our fees for the duration of an engagement or approve claims against fees earned by us prior to or after the bankruptcy filing. For example, shortly after we acquired Speltz & Weis LLC, its largest client, which accounted for approximately 82.8% of its 2004 revenues and which accounted for approximately $10.3 million of our revenues in the nine months ended September 30, 2005, filed for bankruptcy. While the Bankruptcy Court approved our retention, it did so subject to certain fee reductions that we negotiated with the client and certain other interested parties. Depending on the outcome of the bankruptcy proceeding, we may not receive the full amount of these negotiated amounts. Moreover, several parties to the bankruptcy case have reserved their right to challenge fees earned by us and Speltz and Weis prior to the bankruptcy filing on July 5, 2005. Although no such claim has been brought to date, if a claim is brought in the future, the claim could have a material adverse impact on our financial position, results of operations, earnings per share or cash flows in the period in which such claim were resolved. Terminations of engagements, cancellations of portions of the project plan, delays in the work schedule or reductions in fees could result from factors unrelated to our services. When engagements are terminated or reduced, 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.

**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

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**Risk factors**

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 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 additional 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, including with respect to Speltz &Weis LLC. 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 the adverse short-term effects on reported operating results from the amortization or write-off of acquired goodwill and other intangible assets, such as described in Management s Discussion and Analysis Subsequent Event ;

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;

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

Ø 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 declines 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 23.4% and 12.9% of our revenues for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. The decrease is a result of the wind-up of several large bankruptcy engagements. 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:

- Ø over-expansion by various businesses;
- Ø management s inability to address critical operational and financial issues;
- Ø the level of lending activity and over-leveraging of companies; and
- Ø 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 declines 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.

**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 11.8% and 12.2% of our revenues for the year ended December 31, 2004 and the nine months ended September 30, 2005, 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.

**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 5.1% and 2.5% of our revenues for the year ended December 31, 2004 and the nine months ended September 30, 2005, 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. For example, net deferrals of $2.1 million of performance-based fees for services rendered had the effect of reducing our average billing rate per hour for the nine months ended September 30, 2005 by $7.

**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 may not be able to provide multiple services to a particular client. 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 Silicon 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 2004. Also in 2004, we decided to eliminate a service offering of a practice area in our Operational Consulting segment that was not meeting our expectations and incurred a restructuring charge of $1.3 million. 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

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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 subsidiaries 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 interests of our two wholly-owned operating subsidiaries. As a result, we must rely on payments from our subsidiaries to meet our obligations. We currently expect that the earnings and cash flow of our subsidiaries will primarily be retained and used by them in their operations, including servicing any debt obligations they may have now or in the future. Accordingly, although we do not anticipate paying any dividends in the foreseeable future, our subsidiaries 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 $ in pro forma net tangible book value per share of your investment. 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

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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 December 31, 2005, there were 1,304,688 shares of common stock issuable upon the exercise of outstanding stock options, with a weighted average exercise price of $2.15 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. Of the shares of our common stock expected to be outstanding upon consummation of this offering: (1) approximately % will be freely tradable without restriction or further registration under the federal securities laws and (2) approximately shares will be restricted securities under the Securities Act, subject to restrictions on the timing, manner and volume of sales of those shares. After consummation of this offering, HCG Holdings LLC and Gary E. Holdren will continue to 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. As of December 31, 2005, we had an aggregate of approximately 482,602,688 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.

We, each member of our board of directors, each of our executive officers and the selling stockholder have agreed for a period of at least 90 days after the date of this prospectus, to not, without the prior written consent of UBS Securities LLC, directly or indirectly, offer to 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, 5,819,263 shares of common stock subject to these agreements, including shares issuable upon the exercise of vested options 90 days after the date of this prospectus, will be available for sale in the public market, subject to vesting of restricted common stock during the lock-up period and the restrictions on sales of restricted securities under the Securities Act.

We have adopted four equity incentive plans, one of which was adopted immediately prior to the completion of our initial public offering. See Management Equity Incentive Plans for further information regarding our equity incentive plans. We filed a registration statement on Form S-8 under the Securities Act covering the 2,141,000 shares that are reserved for issuance under our newly adopted plan as well as 1,612,640 shares reserved for issuance upon the exercise of options outstanding under our three other plans. As of December 31, 2005, there were 1,304,688 shares of common stock issuable upon the exercise of outstanding stock options. Accordingly, subject to applicable vesting requirements with respect to options and shares of restricted common stock, exercise with respect to options, the provisions of Rule 144 with respect to affiliates and, if applicable, expiration of the 90 day lock-up agreements, shares registered under that registration statement will be available for sale in the open market.

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.

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**Because HCG Holdings LLC will have the ability to continue to significantly influence 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 27.3% of our outstanding common stock, or approximately 23.9% 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 significantly influence 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 significantly influence 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.

**The trading history of our common stock is characterized by low trading volume which can result in price volatility. The value of your investment may be subject to sudden decreases due to the volatility of the price of our common stock.**

Our common stock trades on The Nasdaq National Market. Over the past three months, the average daily trading volume of our common stock was approximately shares. We cannot predict the extent to which investor interest in us will lead to a more active trading market in our common stock or how liquid that market might become. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of willing buyers and seller of our common stock at any given time, which presence is dependent upon the individual decisions of investors, over which we have no control.

The closing sales price of our common stock has ranged from a high of $28.40 per share to a low of $18.90 per share since our initial public offering in October 2004. 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 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.

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### 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:

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

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 within the meaning of Section 27A of the Securities Act. These forward-looking statements reflect our current expectation about our future results, levels of activity, performance or achievements, including, without limitation, that our business continues to grow as currently expected, that we are able to expand our service offerings through our existing consultants and new hires, and that existing market conditions do not change from current expectations. In some cases, you can identify forward-looking statements by terminology such as may, will, should, could, expects, plans, intends, anticipates, believes potential, or continue or the negative of such terms or 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.

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# Use of proceeds

All of the shares of common stock offered by this prospectus are being sold by the selling stockholder. We will not receive any proceeds from the sale of shares by the selling stockholder.

# Price range of common stock

Since October 13, 2004, our common stock has been trading on the NASDAQ National Market under the symbol HURN. The following table sets forth, on a per share basis and for the period indicated, the high and low closing sales prices for Huron s common stock as reported by the NASDAQ National Market.

| | High | Low |
|---|---|---|
| **2004:** | | |
| Fourth Quarter (from October 13, 2004) | $ 23.95 | $ 18.90 |
| **2005:** | | |
| First Quarter | 25.56 | 19.76 |
| Second Quarter | 25.25 | 19.46 |
| Third Quarter | 28.30 | 23.10 |
| Fourth Quarter | 28.40 | 23.45 |
| **2006:** | | |
| First Quarter (through January 10, 2006) | 25.32 | 24.07 |

On January 10, 2006, the last reported sale price of our common stock as reported on the NASDAQ National Market was $25.14 per share. As of December 31, 2005, there were 66 holders of record of our common stock.

# 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 $9.64 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. In addition, our bank credit agreement restricts dividends by requiring $45 million of permanent equity capital, which is defined as the sum of paid-in capital and net income less any distributions.

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# Capitalization

The following table sets forth our capitalization as of September 30, 2005. 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 consolidated financial statements and related notes included elsewhere in this prospectus.

| | As of September 30, 2005 (unaudited) (in thousands, except share data) |
|---|---|
| Cash and cash equivalents | $ 21,875 |
| Long-term debt(1) | $ 2,000 |
| Stockholders equity: | |
| Common stock, par value $.01 per share; 500,000,000 shares authorized; 17,276,585 shares issued and 17,214,435 shares outstanding | 173 |
| Treasury stock, 62,150 shares, at cost | (1,044) |
| Additional paid-in capital | 76,172 |
| Deferred stock-based compensation | (20,686) |
| Retained earnings | 14,992 |
| Total stockholders equity | 69,607 |
| Total capitalization | $ 71,607 |

*(1) Consists of notes payable, net of current portion, issued in connection with the acquisition of Speltz & Weis LLC.*

The outstanding share information as of September 30, 2005 excludes 1,334,193 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 $2.20 per share.

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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 years ended December 31, 2003 and 2004 from our audited consolidated financial statements. We have derived the following selected consolidated financial data for the nine months ended September 30, 2004 and 2005 and as of September 30, 2005 from our unaudited interim consolidated financial statements. The historical consolidated statements of operations and other operating data for the nine months ended September 30, 2005 includes the results of operations and other operating data of Speltz & Weis LLC since May 9, 2005, its date of acquisition. In the opinion of management, the unaudited selected financial data presented below under the headings Consolidated statement of operations data and Consolidated balance sheet data reflect all adjustments of a normal recurring nature necessary to present fairly our results of operations and financial position for and as of the periods presented. 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 consolidated 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 | Mar. 19, 2002 (inception) to Dec. 31, 2002 | Year Ended December 31, 2003 | Year Ended December 31, 2004 | Nine Months Ended September 30, 2004 (unaudited) | Nine Months Ended September 30, 2005 (unaudited) |
|---|---|---|---|---|---|
| | (in thousands, except per share and other operating data) | | | | |
| Revenues | $ 35,101 | $ 101,486 | $ 159,550 | $ 118,713 | $ 151,586 |
| Reimbursable expenses | 2,921 | 8,808 | 14,361 | 10,315 | 13,901 |
| Total revenues and reimbursable expenses | 38,022 | 110,294 | 173,911 | 129,028 | 165,487 |
| Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses)(1): | | | | | |
| Direct costs | 26,055 | 69,374 | 92,270 | 69,672 | 81,653 |
| Stock-based compensation | | 27 | 978 | 330 | 3,641 |
| Intangible assets amortization | | | | | 1,067 |
| Reimbursable expenses | 2,921 | 8,929 | 14,281 | 10,226 | 14,065 |
| Total direct costs and reimbursable expenses | 28,976 | 78,330 | 107,529 | 80,228 | 100,426 |
| Operating expenses: | | | | | |
| Selling, general and administrative | 8,813 | 25,171 | 40,425 | 28,411 | 36,251 |
| Stock-based compensation | | 14 | 433 | 113 | 1,352 |
| Depreciation and amortization | 3,048 | 5,328 | 2,365 | 1,682 | 3,861 |
| Restructuring charges | | | 3,475 | 3,475 | |
| Management and advisory fees paid to related parties | 2,750 | | | | |
| Loss on lease abandonment | | 1,668 | | | |
| Organization costs | 965 | | | | |
| Total operating expenses | 15,576 | 32,181 | 46,698 | 33,681 | 41,464 |
| Operating income (loss) | (6,530) | (217) | 19,684 | 15,119 | 23,597 |
| Other (income) expense: | | | | | |
| Interest (income) expense, net | 332 | 856 | 692 | 735 | (313) |
| Other (income) expense | 1 | 112 | | | 36 |
| Total other (income) expense | 333 | 968 | 692 | 735 | (277) |
| Income (loss) before provision (benefit) for income taxes | (6,863) | (1,185) | 18,992 | 14,384 | 23,874 |
| Provision (benefit) for income taxes | (2,697) | (122) | 8,128 | 6,042 | 10,624 |
| Net income (loss) | (4,166) | (1,063) | 10,864 | 8,342 | 13,250 |
| Accrued dividends on 8% preferred stock | 646 | 1,066 | 931 | 857 | |
| Net income (loss) attributable to common stockholders | $ (4,812) | $ (2,129) | $ 9,933 | $ 7,485 | $ 13,250 |
| Net income (loss) attributable to common stockholders per share(2): | | | | | |
| Basic | $ (0.41) | $ (0.18) | $ 0.77 | $ 0.57 | $ 0.85 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Diluted | $ | (0.41) | $ | (0.18) | $ | 0.72 | $ | 0.53 | $ | 0.79 |
| Weighted average shares used in calculating net income (loss) attributable to common stockholders per share(2): | | | | | | | | | | |
| Basic | | 11,803 | | 11,871 | | 12,820 | | 12,068 | | 15,657 |
| Diluted | | 11,803 | | 11,871 | | 13,765 | | 13,045 | | 16,801 |
| Cash dividend per common share(3) | $ | | $ | | $ | 0.09 | $ | | $ | |

*(See footnotes on the following page.)*

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**Selected consolidated financial and other operating data**

| | Mar. 19, 2002 (inception) to Dec. 31, | Year Ended December 31, | | Nine Months Ended September 30, 2005 | |
|---|---|---|---|---|---|
| **Other operating data (unaudited):** | **2002** | **2003** | **2004** | **2004** | **2005** |
| Number of consultants (at end of period)(4) | 262 | 477 | 483 | 489 | 626 |
| Average number of consultants (for the period) | 247 | 361 | 485 | 485 | 543 |
| Utilization rate(5) | 57.3% | 66.1% | 72.2% | 70.5% | 76.2% |
| Average billing rate per hour(6) | $ 206 | $ 217 | $ 239 | $ 237 | $ 249 |

| | December 31, | | | September 30, |
|---|---|---|---|---|
| **Consolidated balance sheet data (in thousands):** | **2002** | **2003** | **2004** | **2005 (unaudited)** |
| Cash and cash equivalents | $ 4,449 | $ 4,251 | $ 28,092 | $ 21,875 |
| Working capital | $ 9,780 | $ 10,159 | $ 42,898 | $ 46,341 |
| Total assets | $ 26,583 | $ 39,889 | $ 83,219 | $ 115,402 |
| Long-term debt(7) | $ 10,076 | $ 10,076 | $ | $ 2,000 |
| Total 8% preferred stock(8) | $ 13,146 | $ 14,212 | $ | $ |
| Total stockholders equity (deficit) | $ (4,543) | $ (6,624) | $ 49,233 | $ 69,607 |

*(1) Intangible assets amortization relating to customer contracts is presented as a component of total direct costs. Depreciation, amortization of leasehold improvements and amortization of intangible assets relating to customer relationships are presented as a component of operating expenses.*

*(2) Adjusted for a 1 for 2.3 reverse stock split effected on October 5, 2004.*

*(3) 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 $9.64 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.*

*(4) Consultants consist of our billable professionals, excluding interns and independent contractors.*

*(5) 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.*

*(6) 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.*

*(7) Consists of 8% promissory notes at December 31, 2002 and 2003. Consists of notes payable, net of current portion, issued in connection with the acquisition of Speltz & Weis LLC at September 30, 2005.*

*(8) On October 18, 2004, we used $15.1 million of the proceeds of the initial public offering to redeem all of the outstanding 8% preferred stock, plus cumulative dividends and a liquidation participation amount totaling $2.6 million.*

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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 consolidated financial statements and related notes included elsewhere in this prospectus.*

## OUR BUSINESS

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, nearly tripling the number of our consultants from 213 on May 31, 2002 to 632 as of December 31, 2005. 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 2003 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 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 2004 totaled $159.6 million, a 57.2% increase from 2003. Revenues for the nine months ended September 30, 2005 totaled $151.6 million, a 27.7% increase from revenues of $118.7 million in the nine months ended September 30, 2004.

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 83.1% of our revenues in 2004 and 85.3% of our revenues for the nine months ended September 30, 2005.

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

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not be exceeded except in mutually agreed upon circumstances. For the year ended December 31, 2004 and the nine months ended September 30, 2005, fixed-fee engagements represented approximately 11.8% and 12.2%, respectively, 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 5.1% and 2.5% of our revenues in 2004 and the nine months ended September 30, 2005, respectively, 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.

#### 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.

#### Total direct costs

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

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**Management s discussion and analysis of financial condition and results of operations**

Total direct costs also include stock-based compensation, which represents the cost of stock option and restricted stock awards granted to our consultants. Compensation expense for stock-based awards is amortized on a straight-line basis over the vesting period, which is generally four years. As a result of the granting of restricted common stock awards and anticipated future awards, annual stock-based compensation expense will increase in the future. Total direct costs also include intangible assets amortization relating to customer contracts.

### 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, and professional fees. Other operating expenses include certain depreciation and amortization expenses not included in total direct costs and stock-based compensation, which represents the cost of stock option and restricted stock awards granted to our non-billable professionals. Compensation expense for stock-based awards is amortized on a straight-line basis over the vesting period, which is generally four years. As a result of the granting of restricted common stock awards and anticipated future awards, annual stock-based compensation expense will increase in the future.

### 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.

Beginning January 1, 2005, the forensic technology and discovery services group was moved from the Financial Consulting segment to the Operational Consulting segment to improve marketing synergies with the legal business consulting practice. Previously reported segment information has been reclassified to reflect this change, except for the year ended December 31, 2002 as the effect was immaterial.

## INITIAL PUBLIC OFFERING

On October 18, 2004, we completed our initial public offering. In the initial public offering, we sold 3,333,333 shares of common stock and HCG Holdings LLC, the selling stockholder in this offering, sold 1,666,667 shares of common stock at an offering price of $15.50 per share. On October 22, 2004, the underwriters exercised in full their over-allotment option to purchase an additional 750,000 shares of common stock from HCG Holdings LLC. The initial public offering generated gross proceeds to us of $51.7 million, or $48.0 million net of underwriting discounts. We did not receive any proceeds from the shares sold by HCG Holdings LLC. On October 18, 2004, we used $15.1 million of the net proceeds to redeem the outstanding 8% preferred stock, including cumulative dividends and a liquidation participation amount totaling $2.6 million. Also on October 18, 2004, the Company used $10.7 million of the net offering proceeds to repay the notes payable to HCG Holdings LLC, including accrued and unpaid interest of $0.6 million. The costs associated with the initial public offering, which totaled $3.3 million, were paid from the proceeds. On May 9, 2005, we used a portion of the remaining net proceeds from the initial public offering to pay the cash portion of the purchase price for our acquisition of Speltz & Weis LLC. We are using the remaining initial public offering proceeds for general corporate purposes, including working capital and potential business acquisitions.

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**Management s discussion and analysis of financial condition and results of operations**

### ACQUISITION OF SPELTZ & WEIS LLC

On May 9, 2005, Huron Consulting Group, Inc. acquired 100% of the outstanding membership interests of Speltz & Weis LLC, a specialized consulting firm that consisted of 26 consultants. With the acquisition of Speltz & Weis LLC, our Financial Consulting segment can provide interim management, organizational renewal and turnaround services and other crisis management services to distressed hospitals and other healthcare facilities.

The aggregate purchase price of the acquisition was $17.2 million, which consisted of $14.0 million cash paid at closing, notes payable totaling $3.0 million payable in three equal annual installments of $1.0 million (together with accrued interest at 4% per annum) beginning on May 8, 2006, and $0.2 million of transaction costs. Additional purchase consideration may be payable based on the performance of Speltz & Weis LLC during the three-year period beginning June 1, 2005 and ending May 30, 2008. Also, additional payments may be made based on the amount of revenues we receive from certain referrals made by Speltz & Weis LLC employees. The acquisition has been accounted for under the purchase method of accounting and the results of Speltz & Weis operations have been included within the Financial Consulting segment in our consolidated financial statements since the date of the acquisition.

### 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 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 five 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, allowances for doubtful accounts and unbilled services, carrying value of goodwill and other intangible assets, 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

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**Management s discussion and analysis of financial condition and results of operations**

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 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.

**Allowances for doubtful accounts and unbilled services**

We maintain allowances 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 allowances are 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.

**Carrying value of goodwill and other intangible assets**

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Our goodwill balance as of September 30, 2005 was $14.6 million, which resulted from the acquisition of Speltz & Weis LLC in the second quarter of 2005. Under the provisions of Statement of Financial Accounting Standards, or SFAS, No. 142, Goodwill and Other Intangible Assets, goodwill is required to be tested for impairment on an annual basis and between annual tests whenever indications of impairment exist. We have elected and will begin to perform this annual impairment test in the second quarter of 2006 or earlier if indications of impairment arise, such as loss of key personnel, unanticipated competition, or other unforeseen developments. Impairment exists when the carrying amount of goodwill exceeds its implied fair value, resulting in an impairment charge for this excess. An impairment test involves considerable management judgment and estimates regarding future operating results and cash flows.

Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill. Our intangible assets balances, net of accumulated amortization, totaled $0.8 million at September 30, 2005 and consist of customer contracts and relationships relating to the Speltz & Weis LLC acquisition. We obtained a third party valuation to assist us in estimating the initial fair value of acquired intangible assets. These valuations are primarily based on the present value of the estimated net cash flows expected to be derived from the client contracts and relationships, discounted for assumptions about future customer attrition. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Therefore, higher or earlier-than-expected customer attrition may result in higher future amortization charges or an impairment charge for customer-related intangible assets. For example, during the third quarter of 2005, we wrote off a portion of the intangible assets pertaining to a customer contract as described in Subsequent Event below.

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### 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 experienced net losses early in our history, 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, or APB, Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations and have elected the disclosure option of 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 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 prior to our initial public offering, we established an estimated fair value of the common stock as well as the exercise price for the options to purchase this stock. We estimated the fair value of our common stock by evaluating our results of business activities and projections of our future results of operations. See Recent Accounting Pronouncements below.

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**Management s discussion and analysis of financial condition and results of operations**

## 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: | Mar. 19, 2002 (inception) to Dec. 31, 2002 | Year Ended December 31, 2003 | Year Ended December 31, 2004 | Nine Months Ended September 30, 2004 | Nine Months Ended September 30, 2005 |
|---|---|---|---|---|---|
| | | | | (unaudited) | |
| | (in thousands, except other operating data) | | | | |
| Revenues and reimbursable expenses: | | | | | |
| Financial Consulting revenues | $ 22,400 | $ 68,028 | $ 92,378 | $ 69,345 | $ 87,702 |
| Operational Consulting revenues | 12,701 | 33,458 | 67,172 | 49,368 | 63,884 |
| Total revenues | 35,101 | 101,486 | 159,550 | 118,713 | 151,586 |
| Total reimbursable expenses | 2,921 | 8,808 | 14,361 | 10,315 | 13,901 |
| Total revenues and reimbursable expenses | $ 38,022 | $ 110,294 | $ 173,911 | $ 129,028 | $ 165,487 |
| Operating income (loss): | | | | | |
| Financial Consulting | $ 3,912 | $ 20,601 | $ 34,365 | $ 25,590 | $ 35,844 |
| Operational Consulting | 3,527 | 6,793 | 23,009 | 16,781 | 22,499 |
| Total segment operating income | 7,439 | 27,394 | 57,374 | 42,371 | 58,343 |
| Unallocated corporate costs | 7,206 | 20,601 | 31,417 | 21,982 | 29,533 |
| Depreciation and amortization expense | 3,048 | 5,328 | 2,365 | 1,682 | 3,861 |
| Other operating expenses | 3,715 | 1,682 | 3,908 | 3,588 | 1,352 |
| Total operating expenses | 13,969 | 27,611 | 37,690 | 27,252 | 34,746 |
| Operating (loss) income | $ (6,530) | $ (217) | $ 19,684 | $ 15,119 | $ 23,597 |
| **Other operating data (unaudited):** | | | | | |
| Number of consultants (at end of period)(1): | | | | | |
| Financial Consulting | 172 | 285 | 269 | 282 | 308 |
| Operational Consulting | 90 | 192 | 214 | 207 | 318 |
| Total | 262 | 477 | 483 | 489 | 626 |
| Average number of consultants (for the period): | | | | | |
| Financial Consulting | 163 | 219 | 279 | 281 | 280 |
| Operational Consulting | 84 | 142 | 206 | 204 | 263 |

| | | | | | |
|---|---|---|---|---|---|
| Total | 247 | 361 | 485 | 485 | 543 |
| Utilization rate(2): | | | | | |
| Financial Consulting | 55.7% | 66.6% | 71.6% | 69.8% | 79.4% |
| Operational Consulting | 60.5% | 65.3% | 73.0% | 71.4% | 72.9% |
| Total | 57.3% | 66.1% | 72.2% | 70.5% | 76.2% |
| Average billing rate per hour(3): | | | | | |
| Financial Consulting | 212 | 233 | 257 | 254 | 277 |
| Operational Consulting | 195 | 191 | 218 | 217 | 220 |
| Total | 206 | 217 | 239 | 237 | 249 |

(1) *Consultants consist of our billable professionals, excluding interns and independent contractors.*

(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.*

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**Nine months ended September 30, 2005 compared to nine months ended September 30, 2004**

**Revenues**

Revenues increased $32.9 million, or 27.7%, to $151.6 million for the nine months ended September 30, 2005 from $118.7 million for the nine months ended September 30, 2004. Revenues for the nine months ended September 30, 2005 included $6.6 million of revenues generated by Speltz &Weis LLC. Revenues from time-and-expense engagements increased $31.6 million, or 32.4%, to $129.2 million for the nine months ended September 30, 2005 from $97.6 million for the nine months ended September 30, 2004. Revenues from fixed-fee engagements increased $4.8 million, or 34.8%, to $18.6 million for the nine months ended September 30, 2005 from $13.8 million for the nine months ended September 30, 2004. Revenues from performance-based engagements decreased $3.5 million, or 47.9%, to $3.8 million for the nine months ended September 30, 2005 from $7.3 million for the nine months ended September 30, 2004.

Of the overall $32.9 million increase in revenues, $14.4 million was attributable to an increase in the number of consultants and increased usage of independent contractors, $10.5 million was attributable to an increase in the utilization rate of our consultants, and $8.0 million was attributable to an increase in the average billing rate per hour. These increases were reflective of growing demand for our services from new and existing clients. The average number of consultants increased to 543 for the nine months ended September 30, 2005 from 485 for the nine months ended September 30, 2004, as we added a substantial number of consultants in our Operational Consulting segment. The increase in consultants was also reflective of the Speltz &Weis LLC acquisition. Revenues generated by independent contractors increased $2.1 million, or 131.3%, to $3.7 million for the nine months ended September 30, 2005 from $1.6 million for the same period last year. Our utilization rate increased to 76.2% for the nine months ended September 30, 2005 from 70.5% for the nine months ended September 30, 2004. The utilization rate for any given period is calculated by dividing the number of hours all our consultants worked on client assignments during the 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. Additionally, our average billing rate per hour increased 5.1% to $249 for the nine months ended September 30, 2005 from $237 for the nine months ended September 30, 2004. 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.

**Total direct costs**

Our direct costs increased $12.0 million, or 17.2%, to $81.7 million in the nine months ended September 30, 2005 from $69.7 million in the nine months ended September 30, 2004. This increase was primarily attributable to the increase in the average number of consultants described above and their related compensation and benefit costs, as well as a $1.4 million increase in retention and signing bonuses. We expect direct costs will continue to 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 our managing directors and directors.

Stock-based compensation expense increased to $3.6 million for the nine months ended September 30, 2005 from $0.3 million for the same period last year due to the granting of restricted stock awards to our consultants. On October 12, 2004, immediately prior to our initial public offering, we granted to our consultants a total of 489,500 shares of restricted common stock with an aggregate fair market value of $7.6 million. During the first nine months of 2005, we granted to our consultants an additional 509,600 shares of restricted common stock with an aggregate fair market value of $10.9 million.

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Total direct costs in the nine months ended September 30, 2005 included $1.1 million of intangible assets amortization expense relating to customer contracts valued at $1.9 million that were acquired as part of the Speltz &Weis acquisition.

### Operating expenses

Selling, general and administrative expenses increased $7.9 million, or 27.6%, to $36.3 million in the nine months ended September 30, 2005 from $28.4 million in the nine months ended September 30, 2004. The increase was due in part to an increase in the average number of non-billable professionals to 135 for the nine months ended September 30, 2005 from 109 for the nine months ended September 30, 2004 and their related compensation and benefit costs of $14.9 million in the nine months ended September 30, 2005 compared to $11.9 million in the nine months ended September 30, 2004. We added a number of non-billable professionals during the past year in preparation for, and to continue to support, a public company infrastructure. The remaining increase in selling, general and administrative costs in the nine months ended September 30, 2005 compared to the same period in the prior year was due to increases in recruiting costs, promotion and marketing costs, rent and other facility costs, charitable contributions, and new costs associated with being a public company, including Sarbanes-Oxley compliance. Additionally, during the third quarter of 2005 in connection with a previously proposed secondary offering that was withdrawn, we incurred costs totaling $0.4 million after tax, or $0.02 per diluted share. These costs were expensed in the period incurred because we did not issue securities in the withdrawn proposed offering. These increases were partially offset by lower severance charges as compared to the nine months ended September 30, 2004, when we recorded $1.8 million of such charges. We expect operating expenses will increase in the future in response to ongoing growth in our business activity.

Stock-based compensation expense increased to $1.4 million for the nine months ended September 30, 2005 from $0.1 million for the same period last year due to the granting of restricted stock awards to our non-billable professionals. On October 12, 2004, immediately prior to our initial public offering, we granted to our non-billable professionals a total of 278,200 shares of restricted common stock with an aggregate fair market value of $4.3 million. During the first nine months of 2005, we granted to our non-billable professionals an additional 121,100 shares of restricted common stock with an aggregate fair market value of $2.6 million.

Depreciation expense increased $1.4 million, or 82.4%, to $3.1 million in the nine months ended September 30, 2005 from $1.7 million in the nine months ended September 30, 2004 as computers, network equipment, furniture and fixtures, and leasehold improvements were added to support our increase in employees. In the nine months ended September 30, 2005, we recognized $0.2 million of intangible assets amortization. In conjunction with the Speltz & Weis LLC acquisition, we recorded $0.7 million of intangible assets representing customer relationships, which is being amortized over a weighted-average life of 15.1 months. Also included in amortization expense in the nine months ended September 30, 2005 is a $0.6 million charge relating to the write off of a portion of the intangible assets relating to a Speltz & Weis LLC customer contract, as described in Subsequent Event below.

Operating expenses in the nine months ended September 30, 2004 also included 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, which were paid by April 30, 2004, and $0.1 million for office lease payments, which were paid by August 31, 2004. Additionally, during the nine months ended September 30, 2004, we eliminated a service offering in a practice area in the Operational Consulting segment that was not meeting our expectations and we recorded a pre-tax restructuring charge of $1.3 million.

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**Management s discussion and analysis of financial condition and results of operations**

### Operating income

Operating income increased $8.5 million, or 56.1%, to $23.6 million for the nine months ended September 30, 2005 from $15.1 million for the nine months ended September 30, 2004. The increase in operating income was primarily due to the increase in revenues and the lack of restructuring charges, partially offset by the increases in direct costs and operating expenses as discussed above. Operating margin, which is defined as operating income expressed as a percentage of revenues, was 15.6% in the nine months ended September 30, 2005 compared to 12.7% in the nine months ended September 30, 2004. As described in Subsequent Event below, one of our clients filed for bankruptcy. As a result, new financial terms and conditions, including billing terms and rates for our services, were negotiated pursuant to a new engagement contract. These new terms will have a negative impact on our operating margins in the fourth quarter of 2005.

### Net income attributable to common stockholders

Net income attributable to common stockholders increased $5.8 million, or 77.0%, to $13.3 million for the nine months ended September 30, 2005 from $7.5 million for the nine months ended September 30, 2004. Diluted earnings per share increased 49.1% to $0.79 for the nine months ended September 30, 2005 from $0.53 for the comparable period last year. The increase was primarily attributable to an increase in net income, partially offset by an increase in weighted-average shares resulting from our initial public offering.

Speltz & Weis LLC s operations, which included the negative impact of the charges described in Subsequent Event below, had the effect of reducing our earnings per diluted share by $0.06 during the nine months ended September 30, 2005.

### Segment results

### Financial Consulting

### Revenues

Financial Consulting segment revenues, which includes revenues generated by Speltz & Weis LLC since the date of the acquisition, increased $18.4 million, or 26.5%, to $87.7 million for the nine months ended September 30, 2005 from $69.3 million for the nine months ended September 30, 2004. Revenues from time-and-expense engagements increased $20.8 million, or 33.0%, to $83.9 million for the nine months ended September 30, 2005 from $63.1 million for the nine months ended September 30, 2004. Revenues from fixed-fee engagements decreased $0.7 million, or 15.6%, to $3.8 million for the nine months ended September 30, 2005 from $4.5 million for the nine months ended September 30, 2004. There were no revenues from performance-based engagements for the nine months ended September 30, 2005 as compared to $1.7 million for the nine months ended September 30, 2004, which primarily consisted of fees recognized relating to the successful completion of a series of asset sales transactions managed on behalf of a single client over a two-year period.

Of the overall $18.4 million increase in revenues, $9.5 million was attributable to an increase in the utilization rate of our consultants, $7.2 million was attributable to an increase in the average billing rate per hour, and $1.7 million primarily attributable to an increase in the usage of independent contractors. These increases were reflective of growing demand for our services from new and existing clients. Our utilization rate increased to 79.4% for the nine months ended September 30, 2005 from 69.8% for the nine months ended September 30, 2004. The average billing rate per hour increased 9.1% to $277 for the nine months ended September 30, 2005 from $254 for the nine months ended September 30, 2004. Independent contractor revenues increased to $1.7 million for the nine months ended September 30, 2005 from $0.2 million for the same period last year.

### Operating income

Financial Consulting segment operating income increased $10.2 million, or 40.1%, to $35.8 million in the nine months ended September 30, 2005 from $25.6 million in the nine months ended September 30, 2004. Segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, increased to 40.9% in the nine months ended September 30, 2005 from 36.9% in the nine months ended September 30, 2004.

### Operational Consulting

### Revenues

Operational Consulting segment revenues increased $14.5 million, or 29.4%, to $63.9 million for the nine months ended September 30, 2005 from $49.4 million for the nine months ended September 30, 2004. Revenues from time-and-expense engagements increased $10.7 million, or 30.9%, to $45.3 million for the nine months ended September 30, 2005 from $34.6 million for the nine months ended September 30, 2004. Revenues from fixed-fee engagements increased $5.6 million, or 60.9%, to $14.8 million for the nine months ended September 30, 2005 from $9.2 million for the nine months ended September 30, 2004. Revenues from performance-based engagements decreased $1.8 million, or 32.1%, to $3.8 million for the nine months ended September 30, 2005 from $5.6 million for the nine months ended September 30, 2004.

Of the overall $14.5 million increase in revenues, $12.8 million was attributable to an increase in the number of consultants and increased usage of independent contractors, $1.0 million was attributable to an increase in the utilization rate of our consultants, and $0.7 million was attributable to an increase in the average billing rate per hour. These increases were reflective of growing demand for our services from new and existing clients. The average number of consultants increased to 263 for the nine months ended September 30, 2005 from 204 for the nine months ended September 30, 2004, as we added a significant number of consultants over the past year. Independent contractor revenues increased $0.8 million, or 61.5%, to $2.1 million for the nine months ended September 30, 2005 from $1.3 million for the same period last year. Our utilization rate increased slightly to 72.9% for the nine months ended September 30, 2005 from 71.4% for the nine months ended September 30, 2004. Additionally, the average billing rate per hour increased 1.4% to $220 for the nine months ended September 30, 2005 from $217 for the same period last year. Net deferrals of $2.1 million of performance-based fees for services rendered had the impact of reducing our average billing rate for the nine months ended September 30, 2005 by $7. We expect to recognize this revenue in the future when all the performance-based criteria specified in the engagement contract are met.

### Operating income

Operational Consulting segment operating income increased $5.7 million, or 34.1%, to $22.5 million for the nine months ended September 30, 2005 from $16.8 million for the nine months ended September 30, 2004. Segment operating margin increased to 35.2% in the nine months ended September 30, 2005 from 34.0% in the same period last year.

## Year ended December 31, 2004 compared to year ended December 31, 2003

### Revenues

Revenues increased $58.1 million, or 57.2%, to $159.6 million for the year ended December 31, 2004 from $101.5 million for the year ended December 31, 2003. Revenues from time-and-expense engagements increased $46.5 million, or 54.0%, to $132.6 million for the year ended December 31, 2004 from $86.1 million for the year ended December 31, 2003. Revenues from fixed-fee engagements

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increased $6.7 million, or 55.4%, to $18.8 million for the year ended December 31, 2004 from $12.1 million for the year ended December 31, 2003. Revenues from performance-based engagements increased $4.9 million, or 148.5%, to $8.2 million for the year ended December 31, 2004 from $3.3 million for the year ended December 31, 2003.

The overall $58.1 million increase in revenues resulted from a $32.3 million increase in revenues attributable to an increase in billable hours associated with new and existing client engagements and the hiring of additional consultants, a $16.7 million increase in revenues attributable to an increase in the average billing rate per hour and a $9.1 million increase in revenues attributable to an increase in our utilization rate. The average number of consultants increased to 485 for the year ended December 31, 2004 from 361 for the year ended December 31, 2003 as we added a substantial number of consultants during the second half of 2003 to meet growing demand for our services and position us for future growth. The average billing rate per hour increased 10.1% to $239 for the year ended December 31, 2004 from $217 for the year ended December 31, 2003. In addition, our utilization rate increased to 72.2% for the year ended December 31, 2004 from 66.1% in the year ended December 31, 2003.

### Total direct costs

Our direct costs increased $22.9 million, or 33.0%, to $92.3 million in the year ended December 31, 2004 from $69.4 million in the year ended December 31, 2003. This increase in cost was primarily attributable to the increase in the average number of consultants described above.

Stock-based compensation expense increased to $1.0 million primarily due to the issuance of employee stock option awards with a higher intrinsic value during the first quarter of 2004 and the granting of restricted common stock awards to our consultants. On October 12, 2004, immediately prior to our initial public offering, we granted to our consultants a total of 489,500 shares of restricted common stock with an aggregate fair market value of $7.6 million.

### Operating expenses

Selling, general and administrative expenses increased $15.2 million, or 60.3%, to $40.4 million in the year ended December 31, 2004 from $25.2 million in the year ended December 31, 2003. The increase was due in part to an increase in the average number of non-billable professionals to 113 for the year ended December 31, 2004 from 76 for the year ended December 31, 2003 and their related compensation and benefit costs of $16.5 million in the year ended December 31, 2004 compared to $9.0 million in the year ended December 31, 2003. Selling, general and administrative expenses in the year ended December 31, 2004 also included severance charges totaling $1.8 million as we eliminated the positions of certain managing directors and other senior level consultants. Severance charges included the settling of contractual obligations with certain managing directors. The remaining increase in selling, general and administrative expenses in 2004 compared to 2003 was due to increases in rent and other facility costs, promotion and marketing costs, and other administrative costs associated with the general growth in our business activity, as well as costs incurred to establish an infrastructure to support a public company.

Stock-based compensation expense totaled $0.4 million for the year ended December 31, 2004 due to the granting of restricted stock awards to our non-billable professionals. On October 12, 2004, immediately prior to our initial public offering, we granted to our non-billable professionals a total of 278,200 shares of restricted common stock with an aggregate fair market value of $4.3 million.

Depreciation expense increased $0.8 million, or 50.0%, to $2.4 million in the year ended December 31, 2004 from $1.6 million in the year ended December 31, 2003 as computers, furniture and fixtures, and leasehold improvements were added to support our increase in employees. There was no amortization expense in 2004 compared to $3.7 million in the year ended December 31, 2003. The amortization

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expense in 2003 related to $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.

Operating expenses in 2004 included 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, which were paid by April 30, 2004, and $0.1 million for office lease payments, which were paid by August 31, 2004. We also incurred a $1.3 million pre-tax restructuring charge as we decided to eliminate a service offering of a practice area in the Operational Consulting segment that was not meeting our expectations.

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.

### Operating income (loss)

Operating income in the year ended December 31, 2004 was $19.7 million compared to an operating loss of $0.2 million in the year ended December 31, 2003. The increase in operating income was primarily due to revenue growing at a higher rate as compared to the growth in direct costs and operating expenses. Operating margin was 12.2% in the year ended December 31, 2004.

### Segment results

### Financial Consulting

### Revenues

Financial Consulting segment revenues increased $24.4 million, or 35.8%, to $92.4 million for the year ended December 31, 2004 from $68.0 million for the year ended December 31, 2003. Revenues from time-and-expense engagements increased $22.5 million, or 36.2%, to $84.7 million for the year ended December 31, 2004 from $62.2 million for the year ended December 31, 2003. Revenues from fixed-fee engagements increased $1.1 million, or 22.4%, to $6.0 million for the year ended December 31, 2004 from $4.9 million for the year ended December 31, 2003. Revenues from performance-based engagements increased $0.8 million, or 88.9%, to $1.7 million for the year ended December 31, 2004 from $0.9 million for the year ended December 31, 2003. Performance-based fee revenues for the year ended December 31, 2004 consisted of a $1.6 million success fee recognized in the second quarter relating to the successful completion of a series of asset sale transactions managed on behalf of a single client over a two-year period.

The overall $24.4 million increase in revenues resulted from a $10.8 million increase in revenues attributable to an increase in billable hours associated with new and existing client engagements and the hiring of additional consultants, a $8.5 million increase in revenues attributable to an increase in the average billing rate per hour and a $5.1 million increase in revenues attributable to an increase in our utilization rate. The average number of consultants increased to 279 for the year ended December 31, 2004 from 219 for the year ended December 31, 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 10.3% to $257 for the year ended December 31, 2004 from $233 for the year ended December 31, 2003. In addition, our utilization rate increased to 71.6% for the year ended December 31, 2004 from 66.6% for the year ended December 31, 2003.

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### Operating income

Financial Consulting segment operating income increased $13.8 million, or 66.8%, to $34.4 million in the year ended December 31, 2004 from $20.6 million in the year ended December 31, 2003. Segment operating margin improved to 37.2% in the year ended December 31, 2004 from 30.3% in the year ended December 31, 2003, primarily as a result of the increase in revenues discussed above, partially offset by an increase in direct costs in 2004.

### Operational Consulting

### Revenues

Operational Consulting segment revenues increased $33.7 million, or 100.8%, to $67.2 million for the year ended December 31, 2004 from $33.5 million for the year ended December 31, 2003. Revenues from time-and-expense engagements increased $24.0 million, or 100.4%, to $47.9 million for the year ended December 31, 2004 from $23.9 million for the year ended December 31, 2003. Revenues from fixed-fee engagements increased $5.6 million, or 77.8%, to $12.8 million for the year ended December 31, 2004 from $7.2 million for the year ended December 31, 2003. Revenues from performance-based engagements increased $4.1 million, or 170.8%, to $6.5 million for the year ended December 31, 2004 from $2.4 million for the year ended December 31, 2003.

The overall $33.7 million increase in revenues resulted from a $21.5 million increase in revenues attributable to an increase in billable hours associated with new and existing client engagements and the hiring of additional consultants, a $8.3 million increase in revenues attributable to an increase in the average billing rate per hour and a $3.9 million increase in revenues attributable to an increase in our utilization rate. The average number of consultants increased to 206 for the year ended December 31, 2004 from 142 for the year ended December 31, 2003. The average billing rate per hour increased 14.1% to $218 for the year ended December 31, 2004 from $191 for the year ended December 31, 2003. Our utilization rate of 73.0% for the year ended December 31, 2004 was up from 65.3% for the year ended December 31, 2003.

### Operating income

Operational Consulting segment operating income increased $16.2 million, or 238.7%, to $23.0 million in the year ended December 31, 2004 from $6.8 million in the year ended December 31, 2003. Segment operating margin increased to 34.3% in the year ended December 31, 2004 from 20.3% in the year ended December 31, 2003, primarily due to the increase in revenues discussed above, partially offset by an increase in direct costs in 2004, as well as investments made during 2003 to start a new practice and expand our capabilities in an existing practice in this segment.

### 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.

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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 361 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.

### Total 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.

Operating expenses in the year ended December 31, 2003 included a $1.7 million charge for the loss associated with the abandonment of an office lease. Operating expenses in the partial year ended December 31, 2002 included 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 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.

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### Segment results

### Financial Consulting

#### Revenues

Financial Consulting segment revenues increased $45.6 million, or 203.7%, to $68.0 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 $42.4 million, or 214.1%, to $62.2 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 $0.9 million for the year ended December 31, 2003, and there were no revenues from performance-based engagements in 2002.

The overall $45.6 million increase in revenues resulted from a $35.2 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 $6.0 million increase in revenues attributable to an increase in the average billing rate per hour and a $4.4 million increase in revenues attributable to an increase in our utilization rate. The average number of consultants increased to 219 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 66.6% 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 $16.7 million, or 426.6%, to $20.6 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 30.3% 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 66.6% 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 $20.8 million, or 163.4%, to $33.5 million for the year ended December 31, 2003 from $12.7 million for the partial year ended December 31, 2002. Revenues from time-and-expense engagements increased $13.2 million, or 123.4%, to $23.9 million for the year ended December 31, 2003 from $10.7 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 $20.8 million increase in revenues resulted from an $20.4 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 $0.6 million decrease in revenues attributable to a decrease in the average billing rate

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per hour. The average number of consultants increased to 142 for the year ended December 31, 2003 from 84 for the partial year ended December 31, 2002. Our utilization rate of 65.3% 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 $191 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 $3.3 million, or 92.6%, to $6.8 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 20.3% 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 eleven quarters during the period from January 1, 2003 to September 30, 2005. The following quarterly consolidated financial data has been prepared on the same basis as, and should be read together with, the consolidated financial statements and related notes contained elsewhere in this prospectus and reflects all adjustments of a normal recurring nature 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 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mar. 30, 2003 | June 30, 2003 | Sep. 30, 2003 | Dec. 31, 2003 | Mar. 31, 2004 | June 30, 2004 | Sep. 30, 2004 | Dec. 31, 2004 | Mar. 31, 2005 | June 30, 2005 | Sep. 30, 2005 |
| | (unaudited) (in thousands, except other operating data) | | | | | | | | | | |
| **Consolidated quarterly financial data:** | | | | | | | | | | | |
| Revenues | $ 23,212 | $ 23,711 | $ 25,549 | $ 29,014 | $ 40,101 | $ 41,503 | $ 37,109 | $ 40,837 | $ 46,760 | $ 50,517 | $ 54,309 |
| Reimbursable expenses | 2,069 | 1,837 | 2,105 | 2,797 | 3,443 | 3,647 | 3,225 | 4,046 | 4,370 | 4,691 | 4,840 |
| Total revenues and reimbursable expenses | 25,281 | 25,548 | 27,654 | 31,811 | 43,544 | 45,150 | 40,334 | 44,883 | 51,130 | 55,208 | 59,149 |
| Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses)(1): | | | | | | | | | | | |
| Direct costs | 13,581 | 15,739 | 19,037 | 21,017 | 24,856 | 22,549 | 22,267 | 22,598 | 24,945 | 27,514 | 29,194 |
| Stock-based compensation | | | 18 | 9 | 12 | 174 | 144 | 648 | 999 | 1,240 | 1,402 |
| Intangible assets amortization | | | | | | | | | | 385 | 682 |
| Reimbursable expenses | 2,069 | 1,848 | 2,138 | 2,874 | 3,523 | 3,542 | 3,161 | 4,055 | 4,387 | 4,704 | 4,974 |
| Total direct costs and reimbursable expenses | 15,650 | 17,587 | 21,193 | 23,900 | 28,391 | 26,265 | 25,572 | 27,301 | 30,331 | 33,843 | 36,252 |
| Operating expenses: | | | | | | | | | | | |
| Selling, general and administrative | 4,826 | 6,267 | 6,607 | 7,471 | 8,156 | 9,624 | 10,631 | 12,014 | 11,312 | 11,650 | 13,289 |
| Stock-based compensation | | | 9 | 5 | 2 | 58 | 53 | 320 | 411 | 456 | 485 |
| Depreciation and amortization | 1,290 | 1,368 | 1,492 | 1,178 | 603 | 472 | 607 | 683 | 847 | 1,109 | 1,905 |
| Other operating expenses | | | 1,668 | | 2,139 | | 1,336 | | | | |
| | 6,116 | 7,635 | 9,776 | 8,654 | 10,900 | 10,154 | 12,627 | 13,017 | 12,570 | 13,215 | 15,679 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total operating expenses | | | | | | | | | | | |
| Operating income (loss) | 3,515 | 326 | (3,315) | (743) | 4,253 | 8,731 | 2,135 | 4,565 | 8,229 | 8,150 | 7,218 |
| Other expense (income) | 199 | 331 | 217 | 221 | 245 | 270 | 220 | (43) | (166) | (64) | (47) |
| Income (loss) before provision (benefit) for income taxes | 3,316 | (5) | (3,532) | (964) | 4,008 | 8,461 | 1,915 | 4,608 | 8,395 | 8,214 | 7,265 |
| Provision (benefit) for income taxes | 1,375 | 76 | (1,367) | (206) | 1,661 | 3,576 | 805 | 2,086 | 3,568 | 3,557 | 3,499 |
| Net income (loss) | 1,941 | (81) | (2,165) | (758) | 2,347 | 4,885 | 1,110 | 2,522 | 4,827 | 4,657 | 3,766 |
| Accrued dividends on 8% preferred stock | 253 | 263 | 275 | 275 | 273 | 285 | 299 | 74 | | | |
| Net income (loss) attributable to common stockholders | $ 1,688 | $ (344) | $ (2,440) | $ (1,033) | $ 2,074 | $ 4,600 | $ 811 | $ 2,448 | $ 4,827 | $ 4,657 | $ 3,766 |
| **Other operating data:** | | | | | | | | | | | |
| Number of consultants (at period end)(2) | 289 | 344 | 446 | 477 | 480 | 488 | 489 | 483 | 498 | 557 | 626 |
| Utilization rate(3) | 75.8% | 69.4% | 60.6% | 62.7% | 73.4% | 71.8% | 66.3% | 77.8% | 76.3% | 76.1% | 76.2% |
| Average billing rate per hour(4) | $ 228 | $ 220 | $ 215 | $ 210 | $ 229 | $ 248 | $ 235 | $ 243 | $ 250 | $ 254 | $ 244 |

*(1) Intangible assets amortization relating to customer contracts is presented as a component of total direct costs. Depreciation, amortization of leasehold improvements and intangible assets relating to customer relationships are presented as a component of operating expenses.*

*(2) Consultants consist of our billable professionals, excluding interns and independent contractors.*

*(3) 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.*

*(4) 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:

- the size and number of client engagements commenced and completed during a quarter;
- 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;
- the number of business work days in a quarter;
- the number of consultants; and
- 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.

**SUBSEQUENT EVENT**

On July 5, 2005, one of our clients filed for bankruptcy. Subsequent to the filing of the bankruptcy, we continued to provide interim management, revenue cycle management and strategic sourcing services under an engagement contract with the client. In addition, we continued to provide services pursuant to a separate engagement contract with the client s bankruptcy counsel to assist with the bankruptcy process.

On October 21, 2005, the client filed an application with the Bankruptcy Court to authorize our retention during the bankruptcy process. In connection with the application, new financial terms and conditions of the engagement contracts, including billing terms and rates for our services, were negotiated and agreed to with the client and certain other interested parties retroactive to July 5, 2005 pursuant to a new engagement contract that superseded the original contracts. At a hearing held on October 28, 2005, the Bankruptcy Court approved on an interim basis our retention based on these agreed upon terms. On December 14, 2005, the Bankruptcy Court approved our retention on a permanent basis. There could be challenges during the bankruptcy process to the fees earned by us and Speltz & Weis LLC, as well as challenges during and after the bankruptcy process to fees earned by us and Speltz & Weis LLC prior to the bankruptcy filing on July 5, 2005, as several parties to the bankruptcy proceeding have reserved their right to challenge those fees. Although no such claim has been brought to date, if a claim is brought in the future, the claim could have a material adverse impact on our financial position, results of operations, earnings per share or cash flows in the period in which such claim were resolved.

The effect of the change in financial terms approved by the Bankruptcy Court on December 14, 2005 was to reduce revenues in the nine months ended September 30, 2005 by $1.2 million from the amounts provided for under the original terms of the interim management contract with the client. The results for the nine months ended September 30, 2005 also reflect legal and related costs totaling approximately $0.4 million associated with the bankruptcy process.

Based on the projected cash flows under the new financial terms and conditions approved by the Bankruptcy Court, the intangible value that we assigned to the interim management contract in connection with the Speltz & Weis LLC acquisition has decreased. Accordingly, we wrote off the remaining carrying value of this contract in the third quarter of 2005. This charge, totaling $0.6 million, is included in depreciation and amortization for the nine months ended September 30, 2005 and is attributable to the Financial Consulting segment.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flows from operations, proceeds generated by our initial public offering and debt capacity available under our credit facility. Cash and cash equivalents, consisting of demand deposits and short-term commercial paper, increased $23.8 million, from $4.3 million at December 31, 2003, to $28.1 million at December 31, 2004 primarily due to cash generated by our initial public offering and growth in our business. Cash and cash equivalents decreased $6.2 million, from $28.1 million at December 31, 2004, to $21.9 million at September 30, 2005 primarily due to the acquisition of Speltz & Weis LLC.

### Operating activities

Cash flows generated by operating activities totaled $12.1 million for the nine months ended September 30, 2005 and $7.3 million for the same period last year. Our operating assets and liabilities consist primarily of receivables from billed and unbilled services, accounts payable and accrued expenses, and accrued payroll and related benefits. The volume of billings and timing of collections and payments affect these account balances. The increase in cash provided by operations for the nine months ended September 30, 2005 was primarily attributable to an increase in revenues and improved financial results due to the general growth of our business, which was partially offset by growth in our receivables from clients and unbilled services. Receivables from clients and unbilled services increased $15.9 million during the nine months ended September 30, 2005, as compared to $8.9 million during the same period last year.

Cash flows generated by operating activities totaled $12.5 million for the year ended December 31, 2004 and $4.0 million for the year ended December 31, 2003. The increase in cash provided by operations for the year ended December 31, 2004 was primarily attributable to higher revenues and improved financial results due to the general growth in our business. Receivables from clients and unbilled services increased $11.4 million during the year ended December 31, 2004 primarily due to increased revenues generated and billed. This increase in client balances was substantially offset by a $11.3 million increase in accounts payable and accrued expenses and accrued payroll and related benefits. Accrued payroll and related benefits at December 31, 2004 included $16.3 million of accrued bonuses, which we paid out in the first quarter of 2005.

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.

### Investing activities

Cash used in investing activities was $18.4 million for the nine months ended September 30, 2005 and $4.4 million for the same period last year. During the nine months ended September 30, 2005, we used $12.5 million to acquire Speltz & Weis LLC, net of cash acquired of $1.8 million. Use of cash in both periods also 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. We estimate that our capital expenditure in 2005 was approximately $8.5 million for the purchase of additional computers, network equipment, furniture and fixtures and leasehold improvements as our business continues to expand.

Cash used by investing activities was $6.9 million for the year ended December 31, 2004 and $4.2 million for the year ended December 31, 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.

### Financing activities

During the nine months ended September 30, 2005, we issued notes payable totaling $3.0 million relating to our acquisition of Speltz & Weis LLC. The notes accrue interest at 4% per annum and are payable in three equal annual installments beginning on May 8, 2006.

Cash provided by financing activities was $18.3 million for the year ended December 31, 2004 primarily due to cash proceeds generated by our initial public offering, which we used a portion of to redeem the outstanding 8% preferred stock and repay the 8% promissory notes as discussed below. On June 29, 2004, we paid a special dividend to our stockholders. The special dividend was declared on May 12, 2004 for each outstanding share of common stock and 8% preferred stock payable to holders of record on May 25, 2004. The 8% preferred stock participated on an as converted basis. The aggregate amount of the dividend was $1.3 million, or $0.09 per share of common stock and $9.64 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 described below, which we repaid the following day.

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.

After the consummation of our initial public offering on October 18, 2004, we used $15.1 million of our net proceeds from the initial public offering to redeem the outstanding 8% preferred stock, plus cumulative dividends and a liquidation participation amount totaling $2.6 million. Also on October 18, 2004, we used $10.7 million of our net proceeds from the initial public offering to repay the 8% promissory notes, including accrued and unpaid interest of $0.6 million.

Huron Consulting Services LLC had a bank credit agreement that expired on February 10, 2005 that allowed it to borrow up 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 were limited by any outstanding letters of credit. Borrowings under the credit agreement bore interest at either the prime rate or LIBOR, rounded up to the nearest whole percentage, plus 2.75%, and

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were secured by substantially all of Huron Consulting Services LLC s assets. The bank credit agreement included 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. As of December 31, 2004, we were in compliance with the bank credit agreement debt covenants and had no borrowings outstanding. The balance available under the 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.

Prior to the expiration of the bank credit agreement described above, we established a new facility. The new bank credit agreement, expiring on February 10, 2006, allows us to borrow up to the lesser of $25.0 million or the sum of (a) 85% of eligible accounts receivable and (b) the lesser of 40% of unbilled services and $5.0 million. Borrowings under the agreement will be limited by any outstanding letters of credit, will bear interest at LIBOR plus 1.75%, and will be secured by substantially all of our assets. The 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. As of September 30, 2005, we were in compliance with the bank credit agreement debt covenants and had no borrowings outstanding. The balance available under the agreement was $22.6 million after the calculation of eligible accounts receivable and unbilled services balances and a reduction of approximately $2.4 million for letters of credit outstanding. We are currently evaluating our need for a more robust credit facility.

### Future needs

Our primary financing need has been to fund our growth. Our growth strategy includes 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, proceeds from our initial public offering and borrowing availability under our credit agreement. Because we expect that our future annual growth rate in revenues and related percentage increases in working capital balances will moderate, we believe cash generated from operations and the initial public offering, supplemented as necessary by borrowings under our credit facility, 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, 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.

### CONTRACTUAL OBLIGATIONS

The following table represents our obligations and commitments to make future payments under contracts, such as lease agreements, and under contingent commitments as of December 31, 2004 (in thousands).

| | Less than 1 year | 1-3 years | 4-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| Operating leases | $ 4,461 | $ 9,149 | $ 8,668 | $ 14,601 | $ 36,879 |
| Purchase obligations | 1,303 | 49 | 20 | | 1,372 |
| Total contractual obligations | $ 5,764 | $ 9,198 | $ 8,688 | $ 14,601 | $ 38,251 |

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We lease our facilities and certain equipment under operating lease arrangements expiring on various dates through 2014, with various renewal options. 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. Certain leases provide for monthly payments of real estate taxes, insurance and other operating expense applicable to the property. Some of the leases contain provisions whereby the future rental payments may be adjusted for increases in operating expenses above the specified amount. In addition, we lease equipment under noncancelable operating leases.

Purchase obligations include information technology and telecommunication obligations, as well as other commitments to purchase services where we cannot cancel or would be required to pay a termination fee in the event of cancellation.

We also have fixed cash flow requirements relating to the notes payable we issued in conjunction with the acquisition of Speltz & Weis LLC during the nine months ended September 30, 2005. The notes totaled $3.0 million and are payable in three equal annual installments beginning on May 8, 2006, together with accrued interest at 4% per annum.

During 2005, we entered into operating lease agreements for office facilities located in New York, New York and Boston, Massachusetts. In connection with these leases, we issued letters of credit in the amounts of approximately $4.0 million and $691,000 for the New York lease and the Boston lease, respectively. Rental payments under these new arrangements commenced in 2006. Our contractual obligations to make future rental payments under these agreements total $1.8 million in 2006, $4.0 million in 2007, $4.0 million in each of 2008, 2009 and 2010, and $21.6 million in the aggregate after 2010.

## 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 swaps, caps or collars or other hedging instruments.

Our exposure to changes in interest rates is limited to borrowings under the bank credit agreement, which has a variable interest rate tied to the LIBOR or prime rate. We had no borrowings outstanding under our bank credit agreement as of December 31, 2004 and September 30, 2005; therefore, any change in interest rates would not have a material effect on our financial position or operating results.

At September 30, 2005, we had notes payable totaling $3.0 million that are payable in three equal annual installments beginning on May 8, 2006. We are not exposed to interest rate risks in respect to these notes as they bear a fixed interest rate at 4% per annum.

From time to time, we invest excess cash in marketable securities. These investments principally consist of overnight sweep accounts and short-term commercial paper. 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 December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised 2004), Share-Based Payment, ( SFAS No. 123R ). In April 2005, the SEC adopted a new rule that amends the effective date of SFAS No. 123R. Under the new rule, we adopted SFAS No. 123R effective January 1, 2006. This statement requires that the costs of employee share-based payments be measured

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at fair value on the awards grant date and be recognized in the financial statements over the requisite service period. SFAS No. 123R supersedes APB 25 and its related interpretations, and eliminates the alternative to use APB 25 s intrinsic value method of accounting, which we are currently using. Additionally, SFAS No. 123R amends SFAS No. 95, Statement of Cash Flows, to require that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid.

SFAS No. 123R allows for two alternative transition methods. The first method is the modified prospective application whereby compensation cost for the portion of awards for which the requisite service has not yet been rendered that are outstanding as of the adoption date will be recognized over the remaining service period. The compensation cost for that portion of awards will be based on the fair value of those awards on the grant date as calculated for pro forma disclosures under SFAS No. 123, as originally issued. All new awards and awards that are modified, repurchased, or cancelled after the adoption date will be accounted for under the provisions of SFAS No. 123R. The second method is the modified retrospective application, which requires that we restate prior period financial statements. The modified retrospective application may be applied either to all prior periods or only to prior interim periods in the year of adoption of this statement. We have adopted the modified prospective transition method and we do not expect the adoption of SFAS No. 123R to have a material impact on our financial position, results of operations, earnings per share or cash flows.

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# 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;

Ø performing valuations of businesses or assets to assist clients with financial reporting, tax compliance, damage or purchase price assessments and restructuring efforts; and

Ø performing interim management, organizational renewal and turnaround services and other crisis management services for distressed hospitals and other healthcare facilities.

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 to improve the effectiveness of operations and reduce costs;

Ø helping in-house legal departments and law firms improve their operations and reduce their costs and providing forensic technology and discovery services;

Ø developing and implementing procurement plans that provide savings throughout the sourcing process; and

- 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.

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 equity sponsorship from a group of investors led by Lake Capital Management LLC.

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 believe that many other consulting firms provide 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.

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**Business**

We have grown significantly since we commenced operations, nearly tripling the number of our consultants from 213 on May 31, 2002 to 632 on December 31, 2005. We have hired experienced professionals from a variety of organizations, including the four largest public accounting firms, referred 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 December 31, 2005, we had 75 managing directors who are consultants. These individuals have an average of 22 years of business experience. 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.

In October 2004, we completed our initial public offering and our common stock began trading on the NASDAQ National Market. On May 9, 2005, we acquired 100% of the outstanding membership interests of Speltz & Weis LLC, a specialized consulting firm that consisted of 26 consultants. Speltz & Weis LLC is now part of our Financial Consulting segment.

We provide our services to a wide variety of both financially sound and distressed organizations, including Fortune 500 companies, medium-sized businesses, leading academic institutions, hospitals and healthcare organizations and the law firms that represent these various organizations. Since May 2002, we have conducted over 2,500 engagements for over 1,400 clients, and we have worked on engagements with 37 of the 40 largest U.S. law firms listed in The American Lawyer 2005 Am Law 100.

**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:

Ø **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 Securities and Exchange Commission, or SEC, has conducted an increasing number of public company investigations over the past few years. Between fiscal 2003 and 2004, the SEC increased its enforcement staffing by approximately 29% and initiated approximately 950 investigations. For fiscal year 2005, Congress approved 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. For fiscal 2006, the President has recommended a budget of $888 million. 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.

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- **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.

- **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.

- **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.

- **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 2004 amidst an improvement in general economic conditions. According to Dealogic, the aggregate dollar value of announced M&A transactions increased approximately 32% in 2005 compared to 2004. 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.

- **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

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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 December 31, 2005, our 75 managing directors who are consultants have an average of 22 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 consulti**