Huron Consulting Group Inc.
Form 10-Q
November 05, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

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

Commission file number: 000-50976

Huron Consulting Group Inc.
(Exact name of registrant as specified in its charter)

Delaware	**01-0666114**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**

550 West Van Buren Street
Chicago, Illinois
60607
(Address of principal executive offices)
(Zip Code)
(312) 583-8700
(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

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

As of October 30, 2009, approximately 21,313,531 shares of the registrant s common stock, par value $0.01 per share, were outstanding.

Huron Consulting Group Inc.

HURON CONSULTING GROUP INC.
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PART I ¾ FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
HURON CONSULTING GROUP INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2009	December 31, 2008 (Restated)
Assets		
Current assets:		
Cash and cash equivalents	$ 26,731	$ 14,106
Receivables from clients, net	109,129	88,071
Unbilled services, net	63,743	43,111
Income tax receivable	358	3,496
Deferred income taxes	18,636	15,708
Prepaid expenses and other current assets	16,037	14,563
Total current assets	234,634	179,055
Property and equipment, net	42,407	44,708
Deferred income taxes	40,527	2,064
Other non-current assets	17,461	15,722
Intangible assets, net	24,553	32,372
Goodwill	401,706	505,676
Total assets	$ 761,288	$ 779,597
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 13,592	$ 6,505
Accrued expenses	31,037	27,361
Accrued payroll and related benefits	63,632	48,374
Accrued consideration for business acquisitions	211	60,099
Income tax payable	4,326	2,086
Deferred revenues	18,499	21,208
Current portion of capital lease obligations	320	518
Total current liabilities	131,617	166,151
Non-current liabilities:		
Deferred compensation and other liabilities	8,562	5,511
Capital lease obligations, net of current portion	50	204
Bank borrowings	301,500	280,000
Deferred lease incentives	8,547	8,705
Total non-current liabilities	318,659	294,420
Commitments and contingencies		

Stockholders equity				
Common stock; $0.01 par value; 500,000,000 shares authorized; 22,195,397 and 21,387,679 shares issued at September 30, 2009 and December 31, 2008, respectively		212		202
Treasury stock, at cost, 813,643 and 404,357 shares at September 30, 2009 and December 31, 2008, respectively		(42,957)		(21,443)
Additional paid-in capital		325,266		263,485
Retained earnings		29,459		76,731
Accumulated other comprehensive income (loss)		(968)		51
Total stockholders equity		311,012		319,026
Total liabilities and stockholders equity	$	761,288	$	779,597

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

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	**2008**	**2009**	**2008**
		(Restated)		**(Restated)**
Revenues and reimbursable expenses:				
Revenues	$ 172,228	$ 168,659	$ 501,084	$ 451,461
Reimbursable expenses	14,652	16,696	42,038	40,874
Total revenues and reimbursable expenses	186,880	185,355	543,122	492,335
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses)**:**				
Direct costs	108,813	106,310	317,117	293,650
Intangible assets amortization	961	3,036	3,734	3,084
Reimbursable expenses	14,630	16,734	42,035	40,922
Total direct costs and reimbursable expenses	124,404	126,080	362,886	337,656
Operating expenses:				
Selling, general and administrative	29,737	34,435	98,389	96,377
Restructuring charges	2,090	2,343	2,090	2,343
Restatement related expenses	13,042		13,427	
Depreciation and amortization	5,697	6,260	17,304	16,768
Impairment charge on goodwill	106,000		106,000	
Total operating expenses	156,566	43,038	237,210	115,488
Other gain			2,687	
Operating income (loss)	(94,090)	16,237	(54,287)	39,191
Other income (expense):				
Interest expense, net of interest income	(3,256)	(4,938)	(9,009)	(9,065)
Other income (expense)	1,025	(518)	1,196	(847)
Total other expense	(2,231)	(5,456)	(7,813)	(9,912)
Income (loss) before income tax expense (benefit)	(96,321)	10,781	(62,100)	29,279
Income tax expense (benefit)	(32,327)	8,343	(14,828)	22,657
Net income (loss)	$ (63,994)	$ 2,438	$ (47,272)	$ 6,622
Earnings (loss) per share:				
Basic	$ (3.16)	$ 0.13	$ (2.36)	$ 0.37
Diluted	$ (3.16)	$ 0.12	$ (2.36)	$ 0.35

Weighted average shares used in calculating earnings (loss) per share:				
Basic	20,239	18,901	20,061	17,947
Diluted	20,239	19,845	20,061	18,750

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

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(In thousands, except share amounts)
(Unaudited)

	Common Stock			Additional		Accumulated Other Compre- hensive	
	Shares	Amount	Treasury Stock	Paid-In Capital	Retained Earnings	Income (Loss)	Stockholders Equity
Balance at December 31, 2008 (Restated)	20,183,908	$ 202	$ (21,443)	$ 263,485	$ 76,731	$ 51	$ 319,026
Comprehensive loss:							
Net loss					(47,272)		(47,272)
Foreign currency translation adjustment, net of tax						(642)	(642)
Unrealized loss on cash flow hedging instrument, net of tax						(377)	(377)
Total comprehensive loss							(48,291)
Issuance of common stock in connection with:							
Restricted stock awards, net of cancellations	559,034	6	(18,351)	18,345			
Exercise of stock options	93,415	1		159			160
Business combination	330,222	3		14,759			14,762
Share-based compensation				16,574			16,574
Shares redeemed for employee tax withholdings			(3,163)				(3,163)
Income tax benefit on share-based compensation				3,611			3,611
Capital contributed by selling shareholders of acquired businesses				8,333			8,333
Balance at September 30, 2009	21,166,579	$ 212	$ (42,957)	$ 325,266	$ 29,459	$ (968)	$ 311,012

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

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30, 2009	Nine months ended September 30, 2008 (Restated)
Cash flows from operating activities:		
Net income (loss)	$ (47,272)	$ 6,622
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,038	19,852
Share-based compensation	16,574	20,421
Non-cash compensation	8,333	23,952
Allowances for doubtful accounts and unbilled services	3,527	3,859
Deferred income taxes	(40,681)	375
Impairment charge on goodwill	106,000	
Non-cash gain and other	(2,686)	
Changes in operating assets and liabilities, net of businesses acquired:		
Increase in receivables from clients	(21,620)	(6,354)
Increase in unbilled services	(24,167)	(29,867)
Decrease in current income tax receivable / payable, net	5,306	7,459
Decrease (increase) in other assets	308	(7,494)
Increase in accounts payable and accrued liabilities	16,246	8,805
Increase (decrease) in accrued payroll and related benefits	14,943	(11,874)
(Decrease) increase in deferred revenues	(3,879)	8,653
Net cash provided by operating activities	51,970	44,409
Cash flows from investing activities:		
Purchases of property and equipment, net	(10,971)	(17,478)
Net investment in life insurance policies	(1,424)	(1,326)
Purchases of businesses, net of cash acquired	(48,370)	(227,537)
Net cash used in investing activities	(60,765)	(246,341)
Cash flows from financing activities:		
Proceeds from exercise of stock options	160	231
Shares redeemed for employee tax withholdings	(3,163)	(5,773)
Tax benefit from share-based compensation	3,611	9,337
Proceeds from borrowings under credit facility	202,000	575,500
Repayments on credit facility	(180,500)	(364,000)
Payments of capital lease obligations	(283)	(1,321)
Net cash provided by financing activities	21,825	213,974

Effect of exchange rate changes on cash		(405)		(490)
Net increase in cash and cash equivalents		12,625		11,552
Cash and cash equivalents at beginning of the period		14,106		2,993
Cash and cash equivalents at end of the period	$	26,731	$	14,545
Supplemental disclosure of cash flow information:				
Non-cash investing activity:				
Issuance of common stock in connection with business combinations	$		$	55,000
Issuance of common stock in connection with business combination classified as a liability	$		$	15,000

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

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in thousands, except per share amounts)

1. Description of Business

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

2. Basis of Presentation

The accompanying unaudited consolidated financial statements reflect the results of operations and cash flows for the three and nine months ended September 30, 2009 and 2008. The results of operations and cash flows for the three and nine months ended September 30, 2008 have been restated as described in note 3. Restatement of Previously-Issued Financial Statements. These financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC). In the opinion of management, these financial statements reflect all adjustments of a normal, recurring nature necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented in conformity with accounting principles generally accepted in the United States of America (GAAP). These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2008 included in Amendment No. 1 on Form 10-K/A, Amendment No. 1 on Form 10-Q/A for the period ended March 31, 2009 and our Quarterly Report on Form 10-Q for the period ended June 30, 2009.

Certain amounts reported in the previous year have been reclassified to conform to the 2009 presentation. Our results for any interim period are not necessarily indicative of results for a full year or any other interim period.

3. Restatement of Previously-Issued Financial Statements

In this quarterly report on Form 10-Q we are restating the following previously-issued financial statements:

Our consolidated balance sheet as of December 31, 2008;

Our consolidated statements of income for the three and nine months ended September 30, 2008; and

Our consolidated statement of cash flows for the nine months ended September 30, 2008.

We have also filed the following amendments to restate our previously-issued financial statements for the years ended December 31, 2008, 2007 and 2006, as well as the three months ended March 31, 2009:

Amendment No. 1 on Form 10-K/A, filed with the SEC on August 17, 2009, to our annual report on Form 10-K for the year ended December 31, 2008, originally filed on February 24, 2009.

Amendment No. 1 on Form 10-Q/A, filed with the SEC on August 17, 2009, to our quarterly report on Form 10-Q for the period ended March 31, 2009, originally filed on April 30, 2009.

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

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

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

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

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

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

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

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

In light of these determinations and given the magnitude of the accounting errors underlying the restatement, our Board of Directors concluded that it was appropriate for the Company to appoint a new Chairman, a new Chief Executive Officer, a new Chief Financial Officer and a new Chief Accounting Officer. Our Board of Directors and Gary Holdren, our then Chief Executive Officer, agreed that he should resign as Chairman of the Board and Chief

Executive Officer. George Massaro, who was the then Vice Chairman of the Board of Directors, was elected as our Non-Executive Chairman of the Board of Directors. James Roth, one of the founders of the Company, was named Chief Executive Officer. James Rojas, another founder of the Company, was named Chief Financial Officer, succeeding Gary Burge who will remain with the Company until the end of 2009. Wayne Lipski, previously Chief Accounting Officer, left the Company during the third quarter. On November 3, 2009, James Roth was appointed to the Board of Directors and James Rojas was appointed Treasurer, in addition to his current position of Chief Financial Officer. The role of Chief Accounting Officer has not been filled.

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

Based on the results of the Company s inquiry into the acquisition-related payments to date and the agreement amendments described below, earn-outs for the period after August 1, 2009 are accounted for as additional purchase consideration and not also as non-cash compensation expense. Effective August 1, 2009, the selling shareholders of two of the Acquired Businesses each amended certain agreements related to the earn-outs to provide that future earn-outs will be distributed only to the applicable selling shareholders and only in accordance with their equity interests on the date we acquired the business with no required continuing employment. The amended agreements provide that no further Shareholder Payments or Employee Payments will be made. We recognized $1.2 million of non-cash compensation expense during the third quarter of 2009 related to Shareholder Payments and Employee Payments for the period July 1 to July 31, 2009, in addition to the $7.1 million previously recognized for the first six months of 2009. Earn-out payments for one of the Acquired Businesses are payable through March 31, 2010, and the earn-out payments for a second Acquired Business are payable through December 31, 2011. There are no additional earn-out obligations related to the other two Acquired Businesses.

On August 4, 2009, we signed an Acknowledgment and Consent Agreement with respect to our Revolving Credit and Term Loan Credit Agreement (the Credit Agreement). We requested an advance of $6.0 million under the revolving credit facility to fund working capital needs during the interim period while we restated our financial statements. The lenders agreed to this request subject to a reservation of rights under the Credit Agreement. This advance, together with collections on our accounts receivable, provided adequate working capital during the interim period prior to the restatement of our financial statements.

On September 30, 2009, we entered into an eighth amendment to the Credit Agreement (the Eighth Amendment to the Credit Agreement) and a security agreement with Bank of America as Administrative Agent (the Security Agreement), each of which is described in note 8. Borrowings.

Following entry into the Eighth Amendment to the Credit Agreement, we were in compliance with all of the applicable debt covenants at September 30, 2009. In addition, based upon projected operating results, management believes it is probable that we will meet the financial covenants of the Credit Agreement discussed above, as amended, at future covenant measurement dates. Accordingly, pursuant to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470, Debt (formerly Emerging Issues Tasl Force 86-30 Classification of Obligations When a Violation is Waived by the Creditor), all amounts not due within the next twelve months under the amended loan terms have been classified as long-term liabilities. In the absence of the Eighth Amendment to the Credit Agreement, we would not have been in compliance with the then existing debt covenants. See note 8. Borrowings for a discussion of the Credit Agreement, the Eighth Amendment to the Credit Agreement and the Security Agreement.

On July 31, 2009, immediately prior to our announcement of our intention to restate our financial statements, the price of our common stock was $44.35 per share. As of the close of business on August 3, 2009, the business day next following such announcement, the price of our common stock was $13.69 per share. As a result of the significant decline in the price of our common stock, we engaged in an impairment analysis with respect to the carrying value of our goodwill in connection with the preparation of our financial statements for the quarter ended September 30, 2009 and recorded a $106.0 million non-cash pretax charge for the impairment of goodwill. This impairment charge was recognized to reduce the carrying value of goodwill in our Accounting and Financial Consulting reporting unit ($59.0 million) and our Corporate Consulting reporting unit ($47.0 million). The impairment charge is non-cash in nature and does not affect the Company s liquidity. As a result of the charge recognized during the third quarter, the carrying amount of our goodwill was reduced to $401.7 million at September 30, 2009. As described in note 8. Borrowings , under the definition of consolidated EBITDA under the Credit Agreement, as amended, the impairment charge will be an add back for the period ended September 30, 2009. See note 6. Goodwill and Intangible Assets.

The SEC has commenced an investigation with respect to the circumstances that led to the restatement and a separate investigation into the allocation of time in certain practice groups. As often happens in these circumstances, the United States Attorney s Office (USAO) for the Northern District of Illinois has contacted our counsel. The USAO made a telephonic request for copies of certain documents that we previously provided to the SEC, which we have voluntarily provided to the USAO. In addition, several purported shareholder class action complaints and derivative lawsuits have been filed in connection with the restatement. See note 14. Commitments and Contingencies for a discussion of the SEC investigations, the USAO s request for certain documents, and the private shareholder class action lawsuits and derivative lawsuits.

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

As a result of the correction of the accounting errors, which are not tax deductible, related to the accounting for the acquisition-related payments, we recalculated our provision for income taxes for each of the quarterly periods using the annual effective income tax rate method in accordance with FASB ASC Topic 740, Income Taxes (formerly Statement of Financial Accounting Standards (SFAS) No. 109 Accounting for Income Taxes). As such, our interim quarterly provision for income taxes decreased in certain periods and increased in others, with a corresponding change in income tax receivable or payable. However, there is no change to our provision for income taxes or our tax accounts on an annual basis. While the correction of these errors significantly reduced our net income and earnings per share for each of the affected periods, it had no effect on our total assets, total liabilities, or total stockholders equity on an annual basis. Further, the correction of these errors had no effect on our net cash flows. The table below summarizes the impact of the restatement on our consolidated statements of operations for the three and nine months ended September 30, 2008 (in thousands, except earnings per share).

	September 30, 2008	
	Three Months Ended	Nine Months Ended
Shareholder Payments	$ 4,708	$ 19,935
Employee Payments	1,339	4,017
Total Non-cash Compensation Expense	$ 6,047	$ 23,952
Impact on Consolidated Statement Of Income:		
Increase in Direct Costs	$ 6,047	$ 23,952
Increase (Decrease) in Provision for Income Taxes	$ 345	$ (1,722)
Decrease in Net Income	$ (6,392)	$ (22,230)
Decrease in Basic Earnings Per Share	$ (0.33)	$ (1.24)
Decrease in Diluted Earnings Per Share	$ (0.32)	$ (1.19)

Expenses incurred in connection with the restatement totaled $13.0 million and $13.4 million in the three and nine months ended September 30, 2009, respectively. Expenses incurred in connection with the restatement are primarily comprised of legal and accounting fees, as well as the settlement costs of an indemnification claim arising in connection with a representation and warranty in a purchase agreement for a previous acquisition.

The tables below present the effects of the restatement on our previously-issued consolidated financial statements as of December 31, 2008 and for the three and nine months ended September 30, 2008.

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HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

Consolidated Balance Sheet

	As of December 31, 2008		
		Adjust-	
	As		
	Reported	ments	Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 14,106		$ 14,106
Receivables from clients, net	88,071		88,071
Unbilled services, net	43,111		43,111
Income tax receivable	3,496		3,496
Deferred income taxes	15,708		15,708
Prepaid expenses and other current assets	14,563		14,563
Total current assets	179,055		179,055
Property and equipment, net	44,708		44,708
Deferred income taxes	2,064		2,064
Other non-current assets	15,722		15,722
Intangible assets, net	32,372		32,372
Goodwill	505,676		505,676
Total assets	$ 779,597		$ 779,597
Liabilities and stockholders equity			
Current liabilities:			
Accounts payable	$ 6,505		$ 6,505
Accrued expenses	27,361		27,361
Accrued payroll and related benefits	48,374		48,374
Accrued consideration for business acquisitions	60,099		60,099
Income tax payable	2,086		2,086
Deferred revenues	21,208		21,208
Bank borrowings			
Note payable and current portion of capital lease obligations	518		518

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

Consolidated Statements of Income (Unaudited)

	Three months ended September 30, 2008			Nine months ended September 30, 2008		
	As Reported	Adjustments	Restated	As Reported	Adjustments	Restated
Revenues and reimbursable expenses:						
Revenues	$ 168,659		$ 168,659	$ 451,461		$ 451,461
Reimbursable expenses	16,696		16,696	40,874		40,874
Total revenues and reimbursable expenses	185,355		185,355	492,335		492,335
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):						
Direct costs	100,263	6,047	106,310	269,698	23,952	293,650
Intangible assets amortization	3,036		3,036	3,084		3,084
Reimbursable expenses	16,734		16,734	40,922		40,922
Total direct costs and reimbursable expenses	120,033	6,047	126,080	313,704	23,952	337,656
Operating expenses:						
Selling, general and administrative	34,435		34,435	96,377		96,377
Depreciation and amortization	6,260		6,260	16,768		16,768
Restructuring charges	2,343		2,343	2,343		2,343
Total operating expenses	43,038		43,038	115,488		115,488
Operating income	22,284	(6,047)	16,237	63,143	(23,952)	39,191
Other income (expense):						
Interest income (expense), net	(4,938)		(4,938)	(9,065)		(9,065)
Other income (expense)	(518)		(518)	(847)		(847)
Total other expense	(5,456)		(5,456)	(9,912)		(9,912)

Income before provision for income taxes	16,828	(6,047)	10,781	53,231	(23,952)	29,279
Provision for income taxes	7,998	345	8,343	24,379	(1,722)	22,657
Net income	$ 8,830	(6,392)	$ 2,438	$ 28,852	(22,230)	$ 6,622
Earnings per share:						
Basic	$ 0.46	(0.33)	$ 0.13	$ 1.61	(1.24)	$ 0.37
Diluted	$ 0.44	(0.32)	$ 0.12	$ 1.54	(1.19)	$ 0.35
Weighted average shares used in calculating earnings per share:						
Basic	18,901		18,901	17,947		17,947
Diluted	19,845		19,845	18,750		18,750

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

Consolidated Statement of Cash Flows (Unaudited)

	Nine months ended September 30, 2008		
	As Reported	Adjust-ments	Restated
Cash flows from operating activities:			
Net income	$ 28,852	(22,230)	$ 6,622
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	19,852		19,852
Share-based compensation	20,421		20,421
Non-cash compensation		23,952	23,952
Allowances for doubtful accounts and unbilled services	3,859		3,859
Deferred income taxes	375		375
Other			
Change in operating assets and liabilities, net of businesses acquired:			
Increase in receivables from clients	(6,354)		(6,354)
Increase in unbilled services	(29,867)		(29,867)
Decrease in income tax receivable/payable, net	9,181	(1,722)	7,459
Increase in other assets	(7,494)		(7,494)
Increase in accounts payable and accrued liabilities	8,805		8,805
Decrease in accrued payroll and related benefits	(11,874)		(11,874)
Increase in deferred revenues	8,653		8,653
Net cash provided by operating activities	44,409		44,409
Cash flows from investing activities:			
Purchases of property and equipment, net	(17,478)		(17,478)
Net investment in life insurance policies	(1,326)		(1,326)
Purchases of businesses, net of cash acquired	(227,537)		(227,537)
Net cash used in investing activities	(246,341)		(246,341)
Cash flows from financing activities:			
Proceeds from exercise of stock options	231		231
Shares redeemed for employee tax withholdings	(5,773)		(5,773)
Tax benefit from share-based compensation	9,337		9,337
Proceeds from borrowings under credit facility	575,500		575,500
Repayments on credit facility	(364,000)		(364,000)
Payments of capital lease obligations	(1,321)		(1,321)

Net cash provided by financing activities	213,974	213,974
Effect of exchange rate changes on cash	(490)	(490)
Net increase in cash and cash equivalents	11,552	11,552
Cash and cash equivalents at beginning of the period	2,993	2,993
Cash and cash equivalents at end of the period	$ 14,545	$ 14,545

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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4. New Accounting Pronouncements

In September 2006, the FASB issued a new accounting pronouncement regarding fair value (formerly SFAS No. 157 Fair Value Measurements). This pronouncement, located under FASB ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. This pronouncement does not require any new fair value measurements in financial statements, but standardizes its definition and guidance in GAAP. We adopted this pronouncement effective beginning on January 1, 2008 for financial assets and financial liabilities, which did not have any impact on our financial statements. In February 2008, the FASB delayed by one year the effective date of this pronouncement for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted this pronouncement effective beginning on January 1, 2009 for nonfinancial assets and nonfinancial liabilities, which did not have any impact on our financial statements.

In December 2007, the FASB issued a new accounting pronouncement regarding business combinations (formerly SFAS No. 141 (revised 2007) Business Combinations). This pronouncement, located under FASB ASC Topic 805, Business Combinations, was issued to improve the relevance, representational faithfulness, and comparability of information in financial statements about a business combination and its effects. This pronouncement retains the purchase method of accounting for business combinations, but requires a number of changes. The changes that may have the most significant impact on us include: contingent consideration, such as earn-outs, will be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings until settled; acquisition-related transaction and restructuring costs will be expensed as incurred; previously-issued financial information will be revised for subsequent adjustments made to finalize the purchase price accounting; reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties will be recognized in earnings, except in certain situations. ASC Topic 805 also requires an acquirer to recognize at fair value, an asset acquired or a liability assumed in a business combination that arises from a contingency provided the asset or liability s fair value can be determined on the date of acquisition. We adopted this pronouncement on a prospective basis effective beginning on January 1, 2009. For business combinations completed on or subsequent to the adoption date, the application of this pronouncement may have a significant impact on our financial statements, the magnitude of which will depend on the specific terms and conditions of the transactions.

In December 2007, the FASB issued a new accounting pronouncement regarding noncontrolling interests and the deconsolidation of a subsidiary (formerly SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51). This pronouncement, located under FASB ASC Topic 810, Consolidation, was issued to improve the relevance, comparability, and transparency of financial information provided in financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. We adopted this pronouncement effective beginning on January 1, 2009. The adoption of this pronouncement did not have any impact on our financial statements.

In March 2008, the FASB issued a new accounting pronouncement regarding derivative and hedging activities (formerly SFAS No. 161 Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133). This pronouncement, located under FASB ASC Topic 815, Derivatives and Hedging, was issued to improve transparency of financial information provided in financial statements by requiring expanded disclosures about an entity s derivative and hedging activities. This pronouncement requires entities to provide expanded disclosures about: how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. We adopted this pronouncement effective beginning on January 1, 2009. The adoption of this pronouncement did not have any impact on our financial statements as it contains only disclosure requirements.

In April 2009, the FASB issued a new accounting pronouncement regarding interim disclosures about fair value of financial instruments (formerly FSP FAS 107-1 and Accounting Principles Board (APB) Opinion No. 28-1 Interim Disclosures about Fair Value of Financial Instruments). This pronouncement, located under FASB ASC Topic 825, Financial Instruments, increases the frequency of fair value disclosures by requiring both interim and annual disclosures. We adopted this pronouncement on a prospective basis effective beginning on April 1, 2009. The adoption of this pronouncement did not have any impact on our financial statements as it contains only disclosure requirements.

In May 2009, the FASB issued a new accounting pronouncement regarding subsequent events (formerly SFAS No. 165 Subsequent Events). This pronouncement, located under FASB ASC Topic 855, Subsequent Events, was issued to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This pronouncement requires entities to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. We adopted this pronouncement on a prospective basis effective beginning on April 1, 2009. The adoption of this pronouncement did not have any impact on our financial statements.

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In June 2009, the FASB issued a new accounting pronouncement regarding authoritative GAAP (formerly SFAS No. 168 The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles). This pronouncement, located under FASB ASC Topic 105, Generally Accepted Accounting Principles, establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative GAAP recognized by the FASB for nongovernmental entities. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. All other nongrandfathered non-SEC accounting literature not included in the Codification is nonauthoritative. We adopted this pronouncement effective beginning on July 1, 2009. The adoption of this pronouncement did not have any impact on our financial statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R). SFAS No. 167 was issued to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This statement amends FASB Interpretation No. 46(R) to require an enterprise to perform an ongoing analysis to determine whether the enterprise has a controlling financial interest in a variable interest entity. SFAS No. 167 will be effective for us beginning on January 1, 2010. We are currently evaluating the impact that the adoption of this statement may have on our future financial position, results of operations, earnings per share, and cash flows. SFAS No. 167 has not yet been codified under FASB ASC Topic 105.

5. Business Combination

Stockamp & Associates, Inc.

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

The aggregate purchase price of this acquisition was approximately $230.7 million, consisting of $168.5 million in cash paid at closing, $50.0 million paid through the issuance of 1,100,740 shares of our common stock, $1.8 million of transaction costs, $9.6 million of additional purchase price earned by selling shareholders subsequent to the acquisition, as certain performance targets were met, and a $0.8 million working capital adjustment. Of the 1,100,740 shares of common stock issued, 330,222 shares with an aggregate value of $15.0 million were deposited into escrow for a period of one year, beginning on July 8, 2008, to secure certain indemnification obligations of Stockamp and its shareholders. Since the shares placed in escrow may have had to be returned to us in satisfaction of indemnification arrangements, they were issued conditionally. As such, the $15.0 million was classified as a liability and included in accrued consideration for business acquisitions on our consolidated balance sheet since the acquisition date until the shares were released as discussed below. The cash portion of the purchase price was financed with borrowings under the Credit Agreement.

The purchase agreement also provides for the following potential payments:

1. With respect to the shares of common stock not placed in escrow, on the date that was six months and one day after the closing date (the Contingent Payment Date), we were to pay Stockamp (in cash, shares of common stock, or any combination of cash and common stock, at our election) the amount, if any, equal to $35.0 million less the value of the common stock issued on the closing date, based on 95% of the average daily closing price per share of common stock for the ten consecutive trading days prior to the Contingent Payment Date. No payment needed to be made if the common stock so valued equaled or exceeded $35.0 million on the Contingent Payment Date. We were not required to make further payments upon the lapse of the Contingent Payment Date in January 2009.
2.

With respect to the shares of common stock placed in escrow, when the shares were released to Stockamp in July 2009 (the Contingent Escrow Payment Date), we were to pay Stockamp (in cash, shares of common stock, or any combination of cash and common stock, at our election) the amount, if any, equal to $15.0 million (or such pro rata portion thereof, to the extent fewer than all shares were being released) less the value of the common stock released from escrow based on 95% of the average daily closing price per share of common stock for the ten consecutive trading days prior to the Contingent Escrow Payment Date. No payment needed to be made if the common stock so valued equaled or exceeded $15.0 million on the Contingent Escrow Payment Date (or the applicable pro rata portion thereof). Based on the average daily closing price of our common stock for the ten consecutive trading days prior to the Contingent Escrow Payment Date in July 2009, we made a price protection payment of $0.2 million to Stockamp. This price protection payment did not change the purchase consideration. Upon the lapse of the Contingent Escrow Payment Date in July 2009, the escrow liability balance and price protection payment were recorded to equity.

3. For the period beginning on the closing date and ending on December 31, 2011, additional purchase consideration may be payable to the selling shareholders if specific financial performance targets are met. These payments are not contingent upon the continued employment of the selling shareholders. Such amounts will be recorded as additional purchase consideration and an adjustment to goodwill. Since the closing date of this acquisition, we have paid to the selling shareholders $9.6 million as additional purchase consideration.

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

Purchase Price Allocation

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

	Stockamp July 8, 2008
Assets Acquired:	
Current assets	$ 16,857
Property and equipment	2,176
Non-current assets	547
Intangible assets	31,100
Goodwill	196,573
	247,253
Liabilities Assumed:	
Current liabilities	16,018
Current and non-current capital lease obligations	525
	16,543
Net Assets Acquired	$ 230,710

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Pro Forma Financial Data

The following unaudited pro forma financial data for the nine months ended September 30, 2008 give effect to the acquisition of Stockamp as if it had been completed at the beginning of the period. The actual results from the acquisition of Stockamp have been included within our consolidated financial results since July 8, 2008.

	Nine Months Ended September 30, 2008 (Restated)
Revenues, net of reimbursable expenses	$ 509,661
Operating income	$ 57,880
Income before provision for income taxes	$ 43,819
Net income	$ 15,200
Earnings per share:	
Basic	$ 0.85
Diluted	$ 0.81

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

6. Goodwill and Intangible Assets

The table below sets forth the changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2009.

	Health and Education Consulting	Accounting and Financial Consulting	Legal Consulting	Corporate Consulting	Total
Balance as of December 31, 2008	$ 341,752	$ 73,341	$ 17,456	$ 73,127	$ 505,676
Accumulated impairment charge					
Additional purchase price subsequently recorded for business combinations	221		1,810	(1)	2,030
Goodwill reallocation	(8,484)	8,484			
Gross goodwill	333,489	81,825	19,266	73,126	507,706
Impairment charge		(59,000)		(47,000)	(106,000)
Balance as of September 30, 2009	$ 333,489	$ 22,825	$ 19,266	$ 26,126	$ 401,706

From time to time, we will reorganize our internal organizational structure to better align our service offerings. During the third quarter of 2009, we moved our government contract consulting practice from our Health and Education Consulting segment to our Accounting and Financial Consulting segment. As a result, $8.5 million of related goodwill was also reallocated between these segments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

As a result of the significant decline in the price of our common stock as discussed above in note 3. Restatement of Previously-Issued Financial Statements, we engaged in an impairment analysis with respect to the carrying value of our goodwill in connection with the preparation of our financial statements for the quarter ended September 30, 2009. In accordance with FASB ASC Topic 350, we aggregate our business components into reporting units and test for goodwill impairment. Goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is to identify potential impairment by comparing the fair value of a reporting unit with its net book value (or carrying amount), including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of the impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. As a result of the impairment analysis, we recorded a $106.0 million non-cash pretax charge for the impairment of goodwill. This impairment charge was recognized to reduce the carrying value of goodwill in our Accounting and Financial Consulting reporting unit ($59.0 million) and our Corporate Consulting reporting unit ($47.0 million). The impairment charge is non-cash in nature and does not affect the Company s liquidity. As a result of the charge recognized during the third quarter, the carrying amount of our goodwill was reduced to $401.7 million at September 30, 2009.

Intangible assets as of September 30, 2009 and December 31, 2008 consisted of the following:

	September 30, 2009		December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer contracts	$ 5,400	$ 5,400	$ 5,400	$ 4,550
Customer relationships	21,269	11,172	21,250	8,423
Non-competition agreements	12,473	5,243	12,473	3,558
Tradename	3,400	1,672	3,400	652
Technology and software	8,275	2,777	8,275	1,243
Total	$ 50,817	$ 26,264	$ 50,798	$ 18,426

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

Intangible assets amortization expense was $2.3 million and $7.8 million for the three and nine months ended September 30, 2009, respectively. Intangible assets amortization expense was $5.2 million and $8.6 million for the three and nine months ended September 30, 2008, respectively. Estimated intangible assets amortization expense is $10.2 million for 2009, $7.5 million for 2010, $5.2 million for 2011, $3.5 million for 2012, $1.8 million for 2013, and $1.1 million for 2014. Actual future amortization expense could differ from these estimated amounts as a result of future acquisitions and other factors.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

7. Earnings (Loss) Per Share

Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period, excluding unvested restricted common stock and unvested restricted stock units. Diluted earnings per share reflects the potential reduction in earnings per share that could occur if securities or other contracts to issue common stock were exercised or converted into common stock under the treasury stock method. The weighted average common stock equivalents for the three and nine months ended September 30, 2009 was approximately 120,000 and 500,000, respectively. Due to our loss position for the three and nine months ended September 30, 2009, these common stock equivalents were excluded from the calculation of diluted earnings per share as the shares would have had an anti-dilutive effect. Earnings per share under the basic and diluted computations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008 (Restated)	2009	2008 (Restated)
Net income (loss)	$ (63,994)	$ 2,438	$ (47,272)	$ 6,622
Weighted average common shares outstanding basic	20,239	18,901	20,061	17,947
Weighted average common stock equivalents		944		803
Weighted average common shares outstanding diluted	20,239	19,845	20,061	18,750
Basic earnings (loss) per share	$ (3.16)	$ 0.13	$ (2.36)	$ 0.37
Diluted earnings (loss) per share	$ (3.16)	$ 0.12	$ (2.36)	$ 0.35

There were approximately 1,279,100 and 74,100 anti-dilutive securities for the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, there were approximately 1,279,100 and 462,500 anti-dilutive securities, respectively.

8. Borrowings

The Credit Agreement consists of a revolving credit facility (Revolver) and a term loan facility (Term Loan). Fees and interest on borrowings vary based on our total debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio as set forth in the Credit Agreement. Interest is based on a spread over the London Interbank Offered Rate (LIBOR) or a spread over the base rate (which is the greater of the Federal Funds Rate plus 0.50% or the Prime Rate), as selected by us.

Prior to the September 30, 2009 Eighth Amendment to the Credit Agreement discussed below, we could borrow up to $460.0 million under the Credit Agreement. In addition, the Credit Agreement had an accordion feature allowing for an additional amount of up to $60.0 million to be borrowed upon approval from the lenders. Prior to entry into the Eighth Amendment to the Credit Agreement, the Credit Agreement consisted of a $240.0 million Revolver and a $220.0 million Term Loan, which was drawn in a single advance of $220.0 million on July 8, 2008 to fund, in part, our acquisition of Stockamp.

On September 30, 2009, we entered into the Eighth Amendment to the Credit Agreement which amended, among other items, the following terms:

1. Reduced the maximum amount of principal that may be borrowed under the Revolver by $60 million from $240 million to $180 million, and eliminated the $60 million accordion feature that was available under the Credit Agreement. The borrowing capacity continues to be reduced by any outstanding letters of credit.

2. Increased the LIBOR spread, base rate spread and letters of credit fee by 75 basis points in each case and increased the non-use fee from a range of 30 to 50 basis points to a flat 50 basis points.

3. Decreased the maximum leverage ratio from 3.00:1.00 to 2.75:1.00 effective December 31, 2010, lowered the minimum fixed charge coverage ratio from 2.50:1.00 to 2.35:1.00 effective September 30, 2009 and added a financial covenant requiring minimum net worth to be greater than zero.

4. Modified the definition of consolidated EBITDA by, among other items, allowing for the add back of non-cash goodwill impairment charges and other acquisition-related intangible asset impairment charges, non-cash restructuring charges, and non-cash compensation charges for the periods ending up to and including September 30, 2009. Beyond September 30, 2009, we are limited on the future add back of non-cash goodwill and other acquisition-related intangible asset impairment charges up to the lesser of $30 million or 15% of net worth.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

Also on September 30, 2009, we entered into the Security Agreement with Bank of America as Administrative Agent. The Security Agreement is required by the terms of the Eighth Amendment to the Credit Agreement in order to secure the obligations thereunder, and grants Bank of America, for the ratable benefit of the lenders under the Eighth Amendment to the Credit Agreement, a first-priority lien, subject to permitted liens, on substantially all of the personal property assets of the Company and the subsidiary grantors. Prior to our entry into the Security Agreement, the Revolver and Term Loan were secured by a pledge of 100% of the voting stock or other equity interests in our domestic subsidiaries and 65% of the voting stock or other equity interests in our foreign subsidiaries (collectively, the Equity Pledge). Following entry into the Security Agreement, the Revolver and Term Loan are secured by the Equity Pledge and by the first-priority lien, subject to permitted liens, on substantially all of our personal property assets and those of our subsidiary grantors.

Interest on the Revolver and Term Loan are based on a spread, ranging from 2.25% to 3.25%, as amended, over LIBOR or a spread, ranging from 1.25% to 2.25%, as amended, over the base rate (which is the greater of the Federal Funds Rate plus 0.50% or the Prime Rate), as selected by us. The Term Loan is subject to amortization of principal in fifteen consecutive quarterly installments that began on September 30, 2008, with the first fourteen installments being $5.5 million each. The fifteenth and final installment will be the amount of the remaining outstanding principal balance of the Term Loan and will be payable on February 23, 2012, but can be repaid earlier. All outstanding borrowings under the Revolver will be due upon expiration of the Credit Agreement on February 23, 2012. The Credit Agreement includes quarterly financial covenants that require us to maintain certain fixed coverage and total debt to EBITDA ratios as well as minimum net worth. Under the Credit Agreement, dividends are restricted to an amount up to 50% of consolidated net income (adjusted for non-cash share-based compensation expense) for such fiscal year, plus 50% of net cash proceeds during such fiscal year with respect to any issuance of capital securities. In addition, certain acquisitions and similar transactions will need to be approved by the lenders.

The borrowing capacity under the Credit Agreement is reduced by any outstanding letters of credit and payments under the Term Loan. At September 30, 2009, outstanding letters of credit totaled $5.6 million and are used as security deposits for our office facilities. As of September 30, 2009, the borrowing capacity under the Credit Agreement was $65.4 million. Borrowings outstanding under the credit facility at September 30, 2009 totaled $301.5 million, all of which are classified as long-term on our consolidated balance sheet as the principal under the Revolver is not due until 2012 and we intend to fund scheduled quarterly payments under the Term Loan with availability under the Revolver. Following entry into the Eighth Amendment to the Credit Agreement, we were in compliance with all of the applicable debt covenants at September 30, 2009. In addition, based upon projected operating results, management believes it is probable that we will meet the financial covenants of the Credit Agreement discussed above, as amended, at future covenant measurement dates. Accordingly, pursuant to the provisions of FASB ASC Topic 470, Debt (formerly Emerging Issues Task Force Issue No. 86-30 Classification of Obligations When a Violation is Waived by the Creditor), all amounts not due within the next twelve months under the amended loan terms have been classified as long-term liabilities. These borrowings carried a weighted-average interest rate of 3.9%, including the effect of the interest rate swap described below in note 10. Derivative Instrument and Hedging Activity. Borrowings outstanding at December 31, 2008 were $280.0 million and carried a weighted-average interest rate of 3.1%. At both September 30, 2009 and December 31, 2008, we were in compliance with our financial debt covenants.

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

9. Restructuring Charges

During the third quarter of 2009, we incurred a $2.1 million pre-tax restructuring charge, consisting of severance payments, related to workforce reductions to balance our employee base with current revenue expectations, market demand, and areas of focus. At September 30, 2009, the restructuring reserve balance was $1.5 million, all of which will be paid by December 31, 2009.

During the third quarter of 2008, we incurred a $2.3 million pre-tax restructuring charge, consisting primarily of severance payments, related to workforce reductions to balance our employee base with current revenue expectations, market demand, and areas of focus. These reductions in workforce included the elimination of the operational consulting group within the Corporate Consulting segment and a reduction in the number of consultants in various other practice groups.

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(Tabular amounts in thousands, except per share amounts)

10. Derivative Instrument and Hedging Activity

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

FASB ASC Topic 815, Derivatives and Hedging (formerly SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities), requires companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. In accordance with ASC Topic 815, we have designated this derivative instrument as a cash flow hedge. As such, changes in the fair value of the derivative instrument are recorded as a component of other comprehensive income (OCI) to the extent of effectiveness. The ineffective portion of the change in fair value of the derivative instrument is recognized in interest expense.

The table below sets forth additional information relating to this interest rate swap designated as a hedging instrument as of September 30, 2009 and for the three and nine months ended September 30, 2009.

		Amount of Loss, Net of Tax, Recognized in OCI	
Balance Sheet Location	**Fair Value (Derivative Liability)**	**Three months ended September 30, 2009**	**Nine months ended September 30, 2009**
Deferred compensation and other liabilities	$ 635	$ (498)	$ (377)

We do not use derivative instruments for trading or other speculative purposes and we did not have any other derivative instruments or hedging activities as of September 30, 2009.

11. Fair Value of Financial Instruments and Goodwill

Cash and cash equivalents are stated at cost, which approximates fair market value. The carrying values for receivables from clients, unbilled services, accounts payable, deferred revenues and other accrued liabilities reasonably approximate fair market value due to the nature of the financial instrument and the short term maturity of these items.

Certain of our assets and liabilities are measured at fair value. FASB ASC Topic 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157), defines fair value as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy for inputs used in measuring fair value and requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy consists of three levels based on the objectivity of the inputs as follows:

Level 1 Inputs — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs — Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs Unobservable inputs for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability.

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

The table below sets forth our fair value hierarchy for our derivative liability and goodwill measured at fair value as of September 30, 2009.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset:				
Goodwill	$	$	$ 401,706	$ 401,706
Liability:				
Interest rate swap	$	$ 635	$	$ 635

In accordance with ASC Topic 350, goodwill with a carrying amount of $507.7 million was written down to its implied fair value of $401.7 million, resulting in an impairment charge of $106.0 million. See note 6. Goodwill and Intangible Assets for a discussion of the impairment charge.

The fair value of the interest rate swap was derived using estimates to settle the interest rate swap agreement, which is based on the net present value of expected future cash flows on each leg of the swap utilizing market-based inputs and discount rates reflecting the risks involved.

12. Comprehensive Income (Loss)

The tables below set forth the components of comprehensive income (loss) for the three and nine months ended September 30, 2009 and 2008.

	Three Months Ended September 30, 2009			Three Months Ended September 30, 2008		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes (Restated)
Net income (loss)			$ (63,994)			$ 2,438
Other comprehensive income (loss):						
Foreign currency translation adjustment	$ (316)	$ (109)	(425)	$ (592)	$	(592)
Unrealized loss on cash flow hedging instrument	(839)	341	(498)			
Comprehensive income (loss)	$ (1,155)	$ 232	$ (64,917)	$ (592)	$	$ 1,846

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	Tax	Tax

	Before Taxes	(Expense) Benefit	Net of Taxes	Before Taxes	(Expense) Benefit	Net of Taxes (Restated)
Net income (loss)			$ (47,272)			$ 6,622
Other comprehensive income (loss):						
Foreign currency translation adjustment	$ (418)	$ (224)	(642)	$ (490)	$	(490)
Unrealized loss on cash flow hedging instrument	(635)	258	(377)			
Comprehensive income (loss)	$ (1,053)	$ 34	$ (48,291)	$ (490)	$	$ 6,132

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in thousands, except per share amounts)

13. Other Gain

During the nine months ended September 30, 2009, we recognized a gain of $2.7 million relating to the release of certain of our employees from their non-solicitation agreements with the Company and the settlement of certain contractual obligations.

14. Commitments and Contingencies

Litigation

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

The SEC has commenced an investigation with respect to the circumstances that led to the restatement and a separate investigation into the allocation of time in certain practice groups. We are cooperating fully with the SEC in its investigations. As often happens in these circumstances, the USAO for the Northern District of Illinois has contacted our counsel. The USAO made a telephonic request for copies of certain documents that we previously provided to the SEC, which we have voluntarily provided to the USAO.

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

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(Tabular amounts in thousands, except per share amounts)

The Company has also been named as a nominal defendant in two state derivative suits filed in connection with the Company s restatement, since consolidated in the Circuit Court of Cook County, Illinois, Chancery Division on September 21, 2009: (1) a complaint in the matter of Curtis Peters, derivatively on behalf of Huron Consulting Group Inc. v. Gary E. Holdren, Gary L. Burge, Wayne Lipski, each of the members of the Board of Directors and PricewaterhouseCoopers LLP, filed on August 28, 2009 (the Peters suit) and (2) a complaint in the matter of Brian Hacias, derivatively on behalf of Huron Consulting Group Inc. v. Gary E. Holdren, Gary L. Burge and Wayne Lipski, filed on August 28, 2009 (the Hacias suit). A consolidated complaint is forthcoming. The Peters suit was filed in the Circuit Court of Cook County, Illinois, Law Division, and alleges claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. The Peters suit also alleges claims for professional negligence against PricewaterhouseCoopers LLP, the Company s independent auditors. The Hacias suit was filed in the Circuit Court of Cook County, Illinois, Chancery Division, and alleges claims for breach of fiduciary duty, gross negligence, abuse of control, gross mismanagement, breach of contract, waste of corporate assets, contribution and indemnification and insider trading. Both plaintiffs seek unspecified damages allegedly sustained by the Company resulting from the restatement and related matters, disgorgement and reimbursement for fees and expenses incurred in connection with the suits, including attorneys fees.

The Company has also been named as a nominal defendant in three Federal derivative suits filed in connection with the Company s restatement: (1) a complaint in the matter of Oakland County Employees Retirement System, derivatively on behalf of Huron Consulting Group Inc. v. Gary E. Holdren, Gary L. Burge, Wayne Lipski and each of the members of the Board of Directors, filed on October 7, 2009 (the Oakland suit); (2) a complaint in the matter of Philip R. Wilmore, derivatively on behalf of Huron Consulting Group Inc. v. Gary E. Holdren, Gary L. Burge, Wayne Lipski, David M. Shade and each of the members of the Board of Directors, filed on October 12, 2009 (the Wilmore suit) and (3) a complaint in the matter of Lawrence J. Goelz, derivatively on behalf of Huron Consulting Group Inc. v. Gary E. Holdren, Gary L. Burge, Wayne Lipski, David M. Shade and each of the members of the Board of Directors, filed on October 12, 2009 (the Goelz suit). The Oakland suit alleges claims for disgorgement under Section 304 of the Sarbanes-Oxley Act, violations of Section 14(a) of the Exchange Act, breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment and aiding and abetting breaches of fiduciary duty. The Oakland plaintiff seeks unspecified damages allegedly sustained by the Company resulting from the restatement and related matters, restitution from all defendants and disgorgement of all profits, benefits or other compensation obtained by the defendants and reimbursement for fees and expenses incurred in connection with the suit, including attorneys fees. Both the Wilmore suit and the Goelz suit allege claims for breach of fiduciary duty and unjust enrichment. Plaintiffs Wilmore and Goelz seek unspecified damages allegedly sustained by the Company resulting from the restatement and related matters, disgorgement and reimbursement for fees and expenses incurred in connection with the suits, including attorneys fees.

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

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

Guarantees

Guarantees in the form of letters of credit totaling $5.6 million and $5.7 million were outstanding at September 30, 2009 and December 31, 2008, respectively, to support certain office lease obligations.

In connection with certain business acquisitions, we are required to pay additional purchase consideration to the sellers if specific performance targets and conditions are met over a number of years as specified in the related purchase agreements. These amounts are calculated and payable at the end of each year based on full year financial results. There is no limitation to the maximum amount of additional purchase consideration and the aggregate amount that potentially may be paid could be significant. Based on current and projected financial performance, we anticipate aggregate additional purchase consideration that will be earned by certain sellers to be approximately $65.0 million for the year ending December 31, 2009. Additional purchase consideration earned by certain sellers totaled $46.2 million for the year ended December 31, 2008.

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

15. Segment Information

Segments are defined by FASB ASC Topic 280, Segment Reporting (formerly SFAS No. 131 - Disclosures about Segments of an Enterprise and Related Information), as components of a company in which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker manages the business under four operating segments: Health and Education Consulting, Accounting and Financial Consulting, Legal Consulting, and Corporate Consulting.

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

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

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

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

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

From time to time, we will reorganize our internal organizational structure to better align our service offerings. During the third quarter of 2009, we moved our government contract consulting practice from our Health and Education Consulting segment to our Accounting and Financial Consulting segment. Additionally, $8.5 million of goodwill associated with that practice was reallocated between the two segments. Previously reported segment information has been restated to reflect this.

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(Tabular amounts in thousands, except per share amounts)

The table below sets forth information about our operating segments for the three and nine months ended September 30, 2009 and 2008, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008 (Restated)	2009	2008 (Restated)
Health and Education Consulting:				
Revenues	$ 99,714	$ 76,511	$ 283,205	$ 181,001
Operating income	$ 38,676	$ 17,722	$ 106,746	$ 54,894
Segment operating income as a percent of segment revenues	38.8%	23.2%	37.7%	30.3%
Accounting and Financial Consulting:				
Revenues	$ 26,809	$ 35,071	$ 77,035	$ 111,965
Operating income	$ 2,904	$ 9,610	$ 7,910	$ 18,925
Segment operating income as a percent of segment revenues	10.8%	27.4%	10.3%	16.9%
Legal Consulting:				
Revenues	$ 29,314	$ 38,137	$ 83,423	$ 93,858
Operating income	$ 5,360	$ 15,724	$ 16,316	$ 32,387
Segment operating income as a percent of segment revenues	18.3%	41.2%	19.6%	34.5%
Corporate Consulting:				
Revenues	$ 16,391	$ 18,940	$ 57,421	$ 64,637
Operating income	$ 5,044	$ 2,313	$ 19,149	$ 16,295
Segment operating income as a percent of segment revenues	30.8%	12.2%	33.3%	25.2%
Total Company:				
Revenues	$ 172,228	$ 168,659	$ 501,084	$ 451,461
Reimbursable expenses	14,652	16,696	42,038	40,874
Total revenues and reimbursable expenses	$ 186,880	$ 185,355	$ 543,122	$ 492,335
Statement of operations reconciliation:				
Segment operating income	$ 51,984	$ 45,369	$ 150,121	$ 122,501
Charges not allocated at the segment level:				
Other selling, general and administrative expenses	34,377	22,872	81,104	66,542
Depreciation and amortization expense	5,697	6,260	17,304	16,768
Goodwill impairment charge	106,000		106,000	
Other expense, net	2,231	5,456	7,813	9,912
Income (loss) before tax (benefit) expense	$ (96,321)	$ 10,781	$ (62,100)	$ 29,279

During the three months ended September 30, 2009, one client in our Health and Education Consulting segment generated $18.4 million, or 10.7%, of our consolidated revenues.

16. Subsequent Event

We have evaluated subsequent events since September 30, 2009 and up to the time of the filing of this quarterly report on Form 10-Q on November 5, 2009.

On October 29, 2009, we sold a small portion of our Disputes and Investigations practice specializing in complex accounting matters within our Accounting and Financial Consulting segment. This portion of the business, which included five managing directors and their related staff, was based in our Boston office. The sale of this group is not expected to have a material impact on our results of operations.

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

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

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

OVERVIEW

Our Business

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

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

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

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

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

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

From time to time, we reorganize our internal organizational structure to better align our service offerings. During the third quarter of 2009, we moved our government contract consulting practice from our Health and Education Consulting segment to our Accounting and Financial Consulting segment.

How We Generate Revenues

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

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

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

Time-and-expense billing arrangements require the client to pay based on either the number of hours worked, the number of pages reviewed, or the amount of data processed by our revenue-generating professionals at agreed upon rates. We recognize revenues under time-and-expense billing arrangements as the related services are rendered. Time-and-expense engagements represented 47.2% and 61.7% of our revenues in the three months ended September 30, 2009 and 2008, respectively, and 47.7% and 67.5% in the nine months ended September 30, 2009 and 2008, respectively.

In fixed-fee billing arrangements, we agree to a pre-established