

Huron Consulting Group Inc.  
Form 10-Q  
May 06, 2008

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

OR

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

Commission file number: 000-50976

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

Delaware  
(State or other jurisdiction  
of incorporation or organization)

01-0666114  
(IRS Employer  
Identification Number)

550 West Van Buren Street  
Chicago, Illinois  
60607  
(Address of principal executive offices)  
(Zip Code)

(312) 583-8700  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant 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.

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Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

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

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

As of April 30, 2008, approximately 19,203,279 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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## HURON CONSULTING GROUP INC.

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PART I — FINANCIAL INFORMATION  
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HURON CONSULTING GROUP INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

	March 31, 2008	December 31, 2007
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 14,277	\$ 2,993
Receivables from clients, net	90,239	86,867
Unbilled services, net	38,798	28,245
Income tax receivable	13,996	13,492
Deferred income taxes	15,567	13,680
Other current assets	10,277	10,435
<b>Total current assets</b>	<b>183,154</b>	<b>155,712</b>
Property and equipment, net	40,239	38,147
Deferred income taxes	3,228	3,628
Deposits and other assets	10,866	8,737
Intangible assets, net	12,213	13,936
Goodwill	223,284	223,053
<b>Total assets</b>	<b>\$ 472,984</b>	<b>\$ 443,213</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 7,109	\$ 5,823
Accrued expenses	15,785	17,748
Accrued payroll and related benefits	21,582	58,279
Accrued consideration for business acquisitions	24,300	32,422
Income tax payable	2,659	1,342
Deferred revenues	5,610	5,278
Current portion of notes payable and capital lease obligations	1,165	1,309
<b>Total current liabilities</b>	<b>78,210</b>	<b>122,201</b>
<b>Non-current liabilities:</b>		
Deferred compensation and other liabilities	4,773	3,795
Capital lease obligations, net of current portion	164	234
Bank borrowings	177,000	123,500
Deferred lease incentives	9,413	9,699
<b>Total non-current liabilities</b>	<b>191,350</b>	<b>137,228</b>

Commitments and contingencies		
Stockholders' equity		
Common stock; \$0.01 par value; 500,000,000 shares authorized; 19,447,123 and 19,279,176 shares issued at March 31, 2008 and December 31, 2007, respectively	185	182
Treasury stock, at cost, 310,876 and 589,755 shares at March 31, 2008 and December 31, 2007, respectively	(17,602)	(20,703)
Additional paid-in capital	122,125	116,148
Retained earnings	98,314	88,101
Accumulated other comprehensive income	402	56
Total stockholders' equity	203,424	183,784
Total liabilities and stockholders' equity	\$ 472,984	\$ 443,213

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

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

	Three months ended March 31,	
	2008	2007
Revenues and reimbursable expenses:		
Revenues	\$ 139,394	\$ 116,009
Reimbursable expenses	11,613	10,035
Total revenues and reimbursable expenses	151,007	126,044
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):		
Direct costs	83,444	66,903
Intangible assets amortization	24	2,240
Reimbursable expenses	11,610	10,117
Total direct costs and reimbursable expenses	95,078	79,260
Operating expenses:		
Selling, general and administrative	30,162	23,827
Depreciation and amortization	5,138	4,042
Total operating expenses	35,300	27,869
Operating income	20,629	18,915
Other income (expense):		
Interest expense, net	(1,833)	(1,425)
Other income (expense)	(294)	30
Total other expense	(2,127)	(1,395)
Income before provision for income taxes	18,502	17,520
Provision for income taxes	8,289	7,709
Net income	\$ 10,213	\$ 9,811
Earnings per share:		
Basic	\$ 0.59	\$ 0.59
Diluted	\$ 0.56	\$ 0.55
Weighted average shares used in calculating earnings per share:		
Basic	17,372	16,725
Diluted	18,215	17,768

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

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

	Common Stock		Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre-hensiv		Stockholders' Equity
	Shares	Amount				Income	St	
Balance at December 31, 2007	18,244,073	\$ 182	\$ (20,703)	\$ 116,148	\$ 88,101	\$ 56	\$ 183,784	
Comprehensive income:								
Net								
income		—	—	—	10,213	—	10,213	
Foreign currency translation								
adjustment		—	—	—	—	346	346	
Total comprehensive income							10,559	
Issuance of common stock in connection with:								
Restricted stock awards,								
net of cancellations	138,881	2	8,592	(8,594)	—	—	—	
Exercise of stock options	112,494	1	—	135	—	—	136	
Share-based compensation	—	—	—	6,418	—	—	6,418	
Shares redeemed for employee								
tax withholdings	—	—	(5,491)	—	—	—	(5,491)	
Income tax benefit on share-								
based								
compensation	—	—	—	8,018	—	—	8,018	
Balance at March 31, 2008	18,495,448	\$ 185	\$ (17,602)	\$ 122,125	\$ 98,314	\$ 402	\$ 203,424	

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

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

	Three months ended March 31,	
	2008	2007
<b>Cash flows from operating activities:</b>		
Net income	\$ 10,213	\$ 9,811
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	5,162	6,282
Deferred income taxes	(1,487)	(3,866)
Share-based compensation	6,418	4,206
Allowances for doubtful accounts and unbilled services	651	3,035
<b>Changes in operating assets and liabilities, net of businesses acquired:</b>		
Increase in receivables from clients	(2,823)	(10,937)
Increase in unbilled services	(11,752)	(10,972)
Decrease in income tax receivable / payable, net	812	8,884
Increase in other assets	(1,094)	(2,224)
Increase (decrease) in accounts payable and accrued liabilities	1,815	(521)
Decrease in accrued payroll and related benefits	(36,697)	(16,115)
Increase (decrease) in deferred revenues	332	(1,567)
Net cash used in operating activities	(28,450)	(13,984)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment, net	(5,530)	(3,022)
Net investment in life insurance policies	(878)	(1,206)
Purchases of businesses, net of cash acquired	(10,153)	(96,312)
Net cash used in investing activities	(16,561)	(100,540)
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options	136	164

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Shares redeemed for employee tax withholdings	(5,491)	(1,564)
Tax benefit from share-based compensation	8,018	1,832
Proceeds from borrowings under line of credit	101,500	146,500
Repayments on line of credit	(48,000)	(42,500)
Principal payment of notes payable and capital lease obligations	(214)	(144)
Net cash provided by financing activities	55,949	104,288
Effect of exchange rate changes on cash	346	—
Net increase (decrease) in cash and cash equivalents	11,284	(10,236)
Cash and cash equivalents at beginning of the period	2,993	16,572
Cash and cash equivalents at end of the period	\$ 14,277	\$ 6,336

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

Huron Consulting Group Inc. was formed in March 2002 and commenced operations in May 2002. Huron Consulting Group Inc., together with its 100% owned operating subsidiaries (collectively, the “Company”), is an independent provider of financial and operational consulting services, whose clients include Fortune 500 companies, medium-sized businesses, leading academic institutions, healthcare organizations, and the law firms that represent these various organizations.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. In the opinion of management, these financial statements reflect all adjustments of a normal, recurring nature necessary for the fair presentation of the Company’s 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, 2007 included in the Company’s Annual Report on Form 10-K. Certain amounts reported in the previous year have been reclassified to conform to the 2008 presentation. The Company’s results for any interim period are not necessarily indicative of results for a full year or any other interim period.

3. New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements in financial statements, but standardizes its definition and guidance in GAAP. Thus, for some entities, the application of this statement may change prior practice. The Company adopted SFAS No. 157 effective beginning on January 1, 2008 for financial assets and financial liabilities, which did not have any impact on the Company’s financial statements. In February 2008, the FASB issued FASB Staff Position FAS 157-2, “Effective Date of FASB Statement No. 157,” which delayed by one year the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company will adopt SFAS No. 157 for its nonfinancial assets and nonfinancial liabilities, such as goodwill and intangible assets, effective January 1, 2009, which is not expected to have a material impact on the Company’s future financial position, results of operations, earnings per share, or cash flows.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115.” SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of this statement is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company adopted SFAS No. 159 effective beginning on January 1, 2008. The adoption of this statement did not have any impact on the Company’s financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," ("SFAS No. 141R"). SFAS No. 141R was issued to improve the relevance, representational faithfulness, and comparability of information in financial statements about a business combination and its effects. SFAS No. 141R will be effective for the Company beginning on January 1, 2009 and will apply prospectively to business combinations that the Company completes on or after that date. This statement retains the acquisition method of accounting for business combinations, but requires a number of changes. The changes that may have the most significant impact to the Company 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. The Company is currently evaluating the impact that the

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

adoption of this statement may have on its future financial position, results of operations, earnings per share, and cash flows.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." SFAS No. 160 was issued to improve the relevance, comparability, and transparency of financial information provided in financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 will be effective for the Company beginning on January 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. The Company is currently evaluating the impact that the adoption of this statement may have on its future financial position, results of operations, earnings per share, and cash flows.

#### 4. Business Combinations

##### Acquisition of Callaway Partners, LLC

In July 2007, the Company acquired Callaway Partners, LLC ("Callaway"), a professional services firm that specializes in finance and accounting projects, financial reporting, internal audit and controls and corporate tax solutions. With Callaway's extensive senior consultant and project management skills, along with its variable, on-demand workforce, the Company is better positioned to assist clients with their accounting and corporate compliance challenges. This acquisition was consummated on July 29, 2007 and the results of operations of Callaway have been included within the Company's Financial Consulting segment since that date.

The aggregate purchase price of this acquisition was approximately \$65.4 million, consisting of \$58.5 million in cash paid at closing, \$1.5 million in cash paid upon the collection of receivables acquired, \$0.6 million of transaction costs, and a \$4.8 million working capital adjustment. The \$58.5 million paid at closing was financed with borrowings under the Company's bank credit agreement.

The identifiable intangible assets that were acquired totaled \$5.7 million and have an estimated weighted average useful life of 27 months, which consists of customer contracts totaling \$1.9 million (5 months useful life), customer relationships totaling \$2.4 million (19 months useful life), and non-competition agreements totaling \$1.4 million (72 months useful life). Additionally, the Company recorded approximately \$49.0 million of goodwill, which the Company intends to deduct for income tax purposes.

##### Acquisition of Wellspring Partners LTD

In January 2007, the Company acquired Wellspring Partners LTD ("Wellspring"), a management consulting firm specializing in integrated performance improvement services for hospitals and health systems. With the acquisition of Wellspring, the Company expanded its national presence in the healthcare provider sector and now provides a full complement of services to a wide spectrum of hospitals and multi-hospital systems. This acquisition was consummated on January 2, 2007 and the results of operations of Wellspring have been included within the Company's Health and Education Consulting segment since that date.

The aggregate purchase price of this acquisition was approximately \$90.9 million, consisting of \$64.7 million in cash paid at closing, \$0.4 million of transaction costs, a \$1.5 million working capital adjustment, \$0.3 million held back pending the collection of receivables acquired, and \$24.0 million of additional purchase price earned by selling shareholders subsequent to the acquisition, as certain performance targets were met. The Company financed this acquisition with a combination of cash on hand and borrowings of \$55.0 million under the Company's bank credit

agreement. Additional purchase consideration may be payable if specific performance targets are met over a five-year period. Such amounts will be recorded as additional purchase price and an adjustment to goodwill.

The identifiable intangible assets that were acquired totaled \$13.1 million and have an estimated weighted average useful life of 26 months, which consists of customer contracts totaling \$4.7 million (9 months useful life), customer relationships totaling \$3.9 million (20 months useful life), non-competition agreements totaling \$2.4 million (72 months useful life), and a tradename valued at \$2.1 million (24 months useful life). Additionally, the Company recorded approximately \$80.5 million of goodwill, which the Company does not intend to deduct for income tax purposes.

## HURON CONSULTING GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Tabular amounts in thousands, except per share amounts)

## Acquisition of Glass &amp; Associates, Inc.

Also in January 2007, the Company acquired Glass & Associates, Inc. (“Glass”), a turnaround and restructuring consulting firm that provides advice and leadership to troubled businesses in the United States and Europe. With the acquisition of Glass, the Company expanded its position in the consulting and restructuring marketplace, as well as expanded its interim management capabilities to distressed companies in industries beyond healthcare. The stock purchase agreement for this acquisition was executed on January 2, 2007 and the transaction was consummated on January 9, 2007 upon the satisfaction of certain closing conditions. The results of operations of Glass have been included within the Company’s Corporate Consulting segment since January 2, 2007.

The aggregate purchase price of this acquisition was approximately \$35.0 million, consisting of \$30.0 million in cash paid at closing, \$0.8 million of transaction costs, a \$1.0 million working capital adjustment, \$1.6 million in cash paid to sellers for a tax election reimbursement, and \$1.6 million of additional purchase price earned by selling shareholders subsequent to the acquisition. The Company financed this acquisition with a combination of cash on hand and borrowings of \$20.0 million under the Company’s bank credit agreement. Additional purchase consideration may be payable if specific performance targets are met over a four-year period. Such amounts will be recorded as additional purchase price and an adjustment to goodwill. Also, additional payments may be made based on the amount of revenues the Company receives from referrals made by certain employees of Glass over a four-year period. Such amounts will be recorded as an expense.

The identifiable intangible assets that were acquired totaled \$4.3 million and have an estimated weighted average useful life of 37 months, which consists of customer contracts totaling \$1.0 million (6 months useful life), customer relationships totaling \$1.1 million (19 months useful life), and non-competition agreements totaling \$2.2 million (60 months useful life). Additionally, the Company recorded approximately \$29.5 million of goodwill, which the Company intends to deduct for income tax purposes.

## Purchase Price Allocations

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed for the Company’s significant business acquisitions.

	Callaway July 29, 2007	Wellspring January 2, 2007	Glass January 2, 2007
<b>Assets Acquired:</b>			
Current assets	\$ 12,418	\$ 10,292	\$ 2,705
Property and equipment	698	1,073	215
Non-current assets	23	—	23
Intangible assets	5,700	13,100	4,300
Goodwill	48,981	80,479	29,511
	67,820	104,944	36,754
<b>Liabilities Assumed:</b>			
Current liabilities	2,354	8,768	1,727
Non-current liabilities	94	5,278	—
	2,448	14,046	1,727
<b>Net Assets Acquired</b>	<b>\$ 65,372</b>	<b>\$ 90,898</b>	<b>\$ 35,027</b>



Pro Forma Financial Data

The following unaudited pro forma financial data for the three months ended March 31, 2007 give effect to the acquisition of Callaway as if it had been completed at the beginning of the period. The actual results from the acquisition of Callaway have been included within the Company's consolidated financial results since July 29, 2007. The 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.

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

	Three Months Ended March 31, 2007
Revenues, net of reimbursable expenses	\$ 130,115
Operating income	\$ 19,117
Income before provision for income taxes	\$ 16,853
Net income	\$ 9,417
Earnings per share:	
Basic	\$ 0.56
Diluted	\$ 0.53

The actual results from the acquisitions of Wellspring and Glass have been included within the Company's consolidated financial results since January 2, 2007; therefore, 2007 pro forma financial information is not presented.

#### 5. Goodwill and Intangible Assets

The table below sets forth the changes in the carrying amount of goodwill by segment for the three months ended March 31, 2008.

	Health and Education Consulting	Financial Consulting	Legal Consulting	Corporate Consulting	Total
Balance as of December 31, 2007	\$ 93,561	\$ 50,314	\$ 15,312	\$ 63,866	\$ 223,053
Additional purchase price subsequently recorded for business combinations	—	—	44	187	231
Balance as of March 31, 2008	\$ 93,561	\$ 50,314	\$ 15,356	\$ 64,053	\$ 223,284

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. Intangible assets amortization expense was \$1.7 million and \$3.8 million for the three months ended March 31, 2008 and 2007, respectively. Estimated intangible assets amortization expense is \$6.8 million for 2008, \$3.4 million for 2009, \$1.8 million for 2010, \$1.2 million for 2011, \$0.6 million for 2012, and \$0.1 million for 2013. These amounts are based on intangible assets recorded as of March 31, 2008 and actual amortization expense could differ from these estimated amounts as a result of future acquisitions and other factors. Intangible assets are as follows:

	March 31, 2008		December 31, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$ 9,826	\$ 4,827	\$ 9,826	\$ 3,814
Non-competition agreements	8,273	2,083	8,273	1,690

Tradename	2,100	1,313	2,100	1,050
Technology and software	585	348	585	294
Total	\$ 20,784	\$ 8,571	\$ 20,784	\$ 6,848

#### 6. Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period, excluding unvested restricted common stock. 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. Earnings per share under the basic and diluted computations are as follows:

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

	Three Months Ended March 31,	
	2008	2007
Net income	\$ 10,213	\$ 9,811
Weighted average common shares outstanding – basic	17,372	16,725
Weighted average common stock equivalents	843	1,043
Weighted average common shares outstanding – diluted	18,215	17,768
Basic earnings per share	\$ 0.59	\$ 0.59
Diluted earnings per share	\$ 0.56	\$ 0.55

There were approximately 217,600 and 1,600 anti-dilutive securities for the three months ended March 31, 2008 and 2007, respectively.

#### 7. Line of Credit

At March 31, 2008, the Company had a credit agreement with various financial institutions under which it may borrow up to \$200.0 million. Borrowings under the credit agreement are limited by any outstanding letters of credit, which totaled \$5.9 million at March 31, 2008. Fees and interest on borrowings vary based on the Company's total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio as set forth in the credit agreement. Interest will be based on a spread, ranging from 0.50% to 1.25%, over the London Interbank Offered Rate ("LIBOR") or a spread, ranging from -0.50% to 0%, over the base rate, which is the greater of the Federal Funds Rate plus 0.50% or the Prime Rate, as selected by the Company. All outstanding principal is due upon expiration of the credit agreement on February 23, 2012. The credit agreement includes quarterly financial covenants that require the Company to maintain certain interest coverage ratio, total debt to EBITDA ratio, and net worth levels. In addition, certain acquisitions and similar transactions will need to be approved by the lenders. Borrowings outstanding under this credit facility at March 31, 2008 totaled \$177.0 million and bear a weighted-average interest rate of 3.7%, all of which the Company has classified as long-term as the principal is not due until 2012. Borrowings outstanding at December 31, 2007 were \$123.5 million and bear a weighted-average interest rate of 6.1%. At both March 31, 2008 and December 31, 2007, the Company was in compliance with its financial debt covenants.

In April 2008, the Company amended the credit agreement as described in note "10. Subsequent Events."

#### 8. 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 its subsidiaries, including Speltz & Weis LLC, and two of the Company's 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, Speltz & Weis LLC was acquired by the Company. 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 the Company 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

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

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. The Company believes that the claims are without merit and intends to vigorously defend itself in this matter. The suit is in the pre-trial stage and no trial date has been set.

From time to time, the Company is 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, the Company is 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 the financial position or results of operations of the Company.

#### Guarantees

Guarantees in the form of letters of credit totaling \$5.9 million and \$6.1 million were outstanding at March 31, 2008 and December 31, 2007, respectively, to support certain office lease obligations.

In connection with certain business acquisitions, the Company may be 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 generally calculated and payable at the end of each year. There is no limitation to the maximum amount of additional purchase consideration and such amount is not determinable at this time, but the aggregate amount that potentially may be paid could be significant. Additional purchase consideration earned by certain sellers totaled \$32.4 million for the year ended December 31, 2007.

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

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

9. Segment Information

Segments are defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," as components of a company in which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

The Company's chief operating decision maker manages the business under four operating segments: Health and Education Consulting, 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, turnarounds, merger or affiliation strategies, labor productivity, non-labor cost management, information technology, revenue cycle improvement, physician practice management, interim management, clinical quality and medical management, and governance and board development.
- **Financial Consulting.** This segment assists corporations with complex accounting and financial reporting matters, financial analysis in business disputes and litigation, as well as valuation analysis related to business acquisitions. This segment also consults with management in the areas of corporate governance, Sarbanes-Oxley compliance, internal audit, and corporate tax. Additionally, the Financial Consulting segment provides experienced, project leadership and credentialed on-demand resources 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, law firms 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.

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

The table below sets forth information about the Company's operating segments for the three months ended March 31, 2008 and 2007, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements.

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

	Three Months Ended March 31,	
	2008	2007
<b>Health and Education Consulting:</b>		
Revenues	\$ 51,088	\$ 38,852
Operating income	\$ 22,132	\$ 12,200
Segment operating income as a percent of segment revenues	43.3%	31.4%
<b>Financial Consulting:</b>		
Revenues	\$ 38,811	\$ 36,612
Operating income	\$ 9,589	\$ 16,175
Segment operating income as a percent of segment revenues	24.7%	44.2%
<b>Legal Consulting:</b>		
Revenues	\$ 25,223	\$ 23,271
Operating income	\$ 6,587	\$ 7,902
Segment operating income as a percent of segment revenues	26.1%	34.0%
<b>Corporate Consulting:</b>		
Revenues	\$ 24,272	\$ 17,274
Operating income	\$ 9,377	\$ 4,196
Segment operating income as a percent of segment revenues	38.6%	24.3%
<b>Total Company:</b>		
Revenues	\$ 139,394	\$ 116,009
Reimbursable expenses	11,613	10,035
Total revenues and reimbursable expenses	\$ 151,007	\$ 126,044
<b>Statement of operations reconciliation:</b>		
Segment operating income	\$ 47,685	\$ 40,473
<b>Charges not allocated at the segment level:</b>		
Other selling, general and administrative expenses	21,918	17,516
Depreciation and amortization expense	5,138	4,042
Other expense	2,127	1,395
Income before provision for income taxes	\$ 18,502	\$ 17,520

#### 10. Subsequent Events

On April 1, 2008, the Company executed a fifth amendment to the credit agreement, increasing the maximum amount of principal that may be borrowed from \$200.0 million to \$240.0 million. Under the amended agreement, fees and interest on borrowings vary based on the Company's total debt to EBITDA ratio as set forth in the amended credit agreement. Interest will be based on a spread, ranging from 0.875% to 2.000%, over LIBOR or a spread, ranging from 0% to 0.75%, 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 fifth amendment to the credit agreement also allows the Company to incur additional debt in the

amount of \$23.0 million in connection with the amendment to the Callaway Asset Purchase Agreement as described below. All outstanding borrowings under the credit agreement continue to be due upon the expiration of the agreement on February 23, 2012, but can be repaid earlier. The Company is currently negotiating a larger credit facility that may have terms different than those of the fifth amendment to the credit agreement. Alternatively, the Company may further modify the terms of the credit agreement, without accelerating the maturity date or reducing the amount available under the credit agreement.

On April 4, 2008, the Company entered into an amendment to the Callaway Asset Purchase Agreement dated as of July 28, 2007, whereby the Company settled the earn-out provision under Section 3.3 of the agreement in consideration for \$23.0 million, payable in the form of a promissory note (the "Note"), and the waiver of certain indemnity obligations. However, the non-compete obligations of the selling shareholders were not modified. Upon delivery of the Note to the selling shareholders, Sections 3.3, 3.4 and 3.5 of the agreement were terminated in their entirety. The Note matures on August 31, 2008 and bears an initial interest rate of 5.0% per annum and increases to 8.0% per annum on July 1, 2008. The Company may elect to extend the maturity date of the Note until January 31, 2009, in which case the interest rate increases to 14.0% per annum beginning on September 1, 2008.

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

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are identified by words such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," or "continues" or the negative of such words or other comparable terminology. 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 and billing rates, 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 change from current expectations. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Please see "Risk Factors" in our 2007 Annual Report on Form 10-K for a complete description of the material risks we face.

### OVERVIEW

#### Our Business

Huron is an independent provider of financial and operational consulting services, with clients that include Fortune 500 companies, medium-sized businesses, leading academic institutions, healthcare organizations, and the law firms that represent these various organizations. We help clients effectively address complex challenges that arise in litigation, disputes, investigations, regulatory compliance, procurement, financial distress, and other sources of significant conflict or change. We also help our clients deliver superior customer and capital market performance through integrated strategic, operational, and organizational change.

We provide our services and manage our business under four operating segments: Health and Education Consulting, 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, turnarounds, merger of affiliation strategies, labor productivity, non-labor cost management, information technology, revenue cycle improvement, physician practice management, interim management, clinical quality and medical management, and governance and board development.
- **Financial Consulting.** Our Financial Consulting segment assists corporations with complex accounting and financial reporting matters, financial analysis in business disputes and litigation, as well as valuation analysis related to business acquisitions. This segment also consults with management in the areas of corporate governance, Sarbanes-Oxley compliance, internal audit, and corporate tax. Additionally, the Financial Consulting segment provides experienced, project leadership and credentialed on-demand resources 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 that 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, law firms and government agencies by helping to reduce legal spending, enhance client service delivery, and

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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.** 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.

A large portion of our revenues is generated by our full-time billable consultants who provide consulting services to our clients and are billable to our clients based on the number of hours they worked. A smaller portion of our revenues is generated by our other professionals, consisting of variable, on-demand finance and accounting consultants and specialized operational consultants. Our other professionals also include our document review and electronic data discovery groups who utilize contract reviewers and information technology professionals. 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 data processed. 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 other professionals are largely dependent on the number of variable consultants we employ, their hours worked and billing rates charged, as well as the number of pages reviewed and amount of data processed.

Most of our revenues are generated under billing arrangements that are based on either the number of hours worked or units produced by our revenue-generating professionals at agreed upon rates. We refer to these types of arrangements as time-and-expense engagements. Time-and-expense engagements represented 71.1% and 77.3% of our revenues in the three months ended March 31, 2008 and 2007, respectively.

In fixed-fee engagements, we agree to a pre-established fee in exchange for a pre-determined set of consulting services. We set the fees based on our estimates of the costs and timing for completing the fixed-fee engagements. It is the client's expectation in these engagements that the pre-established fee will not be exceeded except in mutually agreed upon circumstances. For the three months ended March 31, 2008 and 2007, fixed-fee engagements represented 27.2% and 21.9% of our revenues, respectively.

Performance-based fee engagements generally tie fees to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, we generally earn fees that are directly related to the savings formally acknowledged by the client as a result of adopting our recommendations for improving cost effectiveness in the procurement area. Second, we have performance-based engagements in which we earn a success fee when and if certain pre-defined outcomes occur. Often this type of success fee supplements time-and-expense or fixed-fee engagements. While performance-based fee revenues represented only 1.7% and 0.8% of our revenues for the three months ended March 31, 2008 and 2007, respectively, such revenues in the future may cause significant variations in quarterly revenues and operating results due to the timing of achieving the performance-based criteria.

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

**Business Strategy, Opportunities and Challenges**

Our primary strategy is to meet the needs of our clients by providing a balanced portfolio of service offerings and capabilities, so that we can adapt quickly and effectively to emerging opportunities in the marketplace. To achieve this, we have entered into select acquisitions of complementary businesses and continue to hire highly qualified professionals. Since December 31, 2007, we have increased the number of our full-time billable consultants from 1,209 to 1,234 as of March 31, 2008. Additionally, we have a roster of highly-credentialed variable, on-demand

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consultants and contract reviewers who are readily available to meet our clients' needs.

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

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

### CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of financial statements in conformity with GAAP requires management to make assessments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to impact our financial position and operating results. While all decisions regarding accounting policies are important, we believe that there are five accounting policies that could be considered critical. These critical accounting policies relate to revenue recognition, allowances for doubtful accounts and unbilled services, carrying values of goodwill and other intangible assets, valuation of net deferred tax assets, and share-based compensation.

#### Revenue Recognition

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

We record differences between the timing of billings and the recognition of revenue as either unbilled services or deferred revenue. We record revenues recognized for services performed but not yet billed to clients as unbilled services. We record amounts billed to clients but not yet recognized as revenues as deferred revenue. We also classify client prepayments and retainers that are unearned as deferred revenue and recognize over future periods as earned in

accordance with the applicable engagement agreement.

**Allowances for Doubtful Accounts and Unbilled Services**

We maintain allowances for doubtful accounts and for services performed but not yet billed for estimated losses based on several factors, including the historical percentages of fee adjustments and write-offs by practice group, an assessment of a client's ability to make required payments and the estimated cash realization from amounts due from clients. The allowances are assessed by management on a regular basis. If the financial condition of a client

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deteriorates in the future, impacting the client's ability to make payments, an increase to our allowance might be required or our allowance may not be sufficient to cover actual write-offs.

We record the provision for doubtful accounts and unbilled services as a reduction in revenue to the extent the provision relates to fee adjustments and other discretionary pricing adjustments. To the extent the provision relates to a client's inability to make required payments on accounts receivables, we record the provision in operating expenses.

#### Carrying Values of Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Our goodwill balance as of March 31, 2008 was \$223.3 million. Pursuant to the provisions of Statement of Financial Accounting Standards, or SFAS, No. 142, "Goodwill and Other Intangible Assets," we test goodwill for impairment annually or whenever indications of impairment arise, such as loss of key personnel, unanticipated competition, or other unforeseen developments. Impairment exists when the carrying amount of goodwill exceeds its implied fair value, resulting in an impairment charge for this excess. An impairment test involves considerable management judgment and estimates regarding future operating results and cash flows. Pursuant to our policy, we performed the annual goodwill assessment as of April 30, 2007 and determined that no impairment of goodwill existed as of that date. Further, no indications of impairment have arisen since that date.

Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill. Our intangible assets, net of accumulated amortization, totaled \$12.2 million at March 31, 2008, and consist of customer relationships, non-competition agreements, a tradename, as well as technology and software. We use valuation techniques in estimating the initial fair value of acquired intangible assets. These valuations are primarily based on the present value of the estimated net cash flows expected to be derived from the client relationships, discounted for assumptions about future customer attrition. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Therefore, higher or earlier-than-expected customer attrition may result in higher future amortization charges or an impairment charge for customer-related intangible assets.

#### Valuation of Net Deferred Tax Assets

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recorded for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. To the extent that deferred tax assets will not likely be recovered from future taxable income, a valuation allowance is established against such deferred tax assets.

In preparing financial statements, we exercise significant judgment in determining our provision for income taxes, deferred tax assets and liabilities, and the valuation allowance. In determining our provision for income taxes on an interim basis, we estimate our annual effective tax rate based on information available at each interim period. In determining whether a valuation allowance is warranted, we consider the historical and estimated future taxable income and other relevant factors of the operation recording the respective deferred tax asset. If actual results differ from our estimates, or if these estimates are adjusted in future periods, an adjustment to the valuation allowance may be required. To the extent that we increase the valuation allowance, our provision for income taxes will increase and our net income will decrease in the period that the adjustment is made. As of March 31, 2008, we have recorded net deferred tax assets totaling \$18.8 million and have established a valuation allowance of \$1.0 million due to uncertainties relating to our ability to utilize deferred tax assets recorded for foreign operating losses.

#### Share-based Compensation

Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment," which requires that companies recognize compensation expense for grants of stock, stock options and other equity instruments based on fair value. Given the lack of a public market for our common stock prior to our IPO, we established an estimated fair value of the common stock as well as the exercise price for the options to purchase this stock. We estimated the fair value of our common stock by evaluating our results of business activities and projections of our future results of operations.

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## RESULTS OF OPERATIONS

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

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Segment and Consolidated Operating Results (in thousands):	Three Months Ended March 31,	
	2008	2007
Revenues and reimbursable expenses:		
Health and Education		
Consulting	\$ 51,088	\$ 38,852
Financial		
Consulting	38,811	36,612
Legal Consulting	25,223	23,271
Corporate		
Consulting	24,272	17,274
Total revenues	139,394	116,009
Total reimbursable expenses	11,613	10,035
Total revenues and reimbursable expenses	\$ 151,007	\$ 126,044
Operating income:		
Health and Education		
Consulting	\$ 22,132	\$ 12,200
Financial		
Consulting	9,589	16,175
Legal Consulting	6,587	7,902
Corporate		
Consulting	9,377	4,196
Total segment operating income	47,685	40,473
Operating expenses not allocated to segments	27,056	21,558
Total Operating income	\$ 20,629	\$ 18,915
Other Operating Data:		
Number of full-time billable consultants (at period end) (1):		
Health and Education		
Consulting	466	352
Financial		
Consulting	364	281
Legal Consulting	175	121
Corporate		
Consulting	229	170
Total	1,234	924
Average number of full-time billable consultants (for the period) (1):		
Health and Education		
Consulting	458	345
Financial		
Consulting	370	280
Legal Consulting	178	121
	231	173

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Corporate Consulting			
Total	1,237		919
Full-time billable consultant utilization rate (2):			
Health and Education			
Consulting	78.1%		78.3%
Financial			
Consulting	51.8%		85.0%
Legal Consulting			
Consulting	57.9%		75.5%
Corporate			
Consulting	65.2%		68.4%
Total	65.0%		78.1%
Full-time billable consultant average billing rate per hour (3):			
Health and Education			
Consulting	\$ 269	\$	248
Financial			
Consulting	\$ 268	\$	298
Legal Consulting			
Consulting	\$ 234	\$	238
Corporate			
Consulting	\$ 329	\$	293
Total	\$ 276	\$	271
Revenue per full-time billable consultant (in thousands):			
Health and Education			
Consulting	\$ 103	\$	94
Financial			
Consulting	\$ 66	\$	126
Legal Consulting			
Consulting	\$ 64	\$	78
Corporate			
Consulting	\$ 103	\$	97
Total	\$ 86	\$	102

Other Operating Data:	Three Months Ended	
	2008	2007
Average number of full-time equivalents (for the period) (4):		
Health and Education		
Consulting	38	63
Financial Consulting	239	10
Legal Consulting	468	395
Corporate Consulting	8	5