

Huron Consulting Group Inc.
Form 10-Q
April 26, 2011

Table of Contents

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

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, 2011

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

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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 19, 2011, 22,198,866 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

Huron Consulting Group Inc.

**HURON CONSULTING GROUP INC.
INDEX**

	Page
<u>Part I Financial Information</u>	
<u>Item 1. Consolidated Financial Statements</u>	1
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Operations</u>	2
<u>Consolidated Statement of Stockholders' Equity</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	31
<u>Item 4. Controls and Procedures</u>	32
<u>Part II Other Information</u>	
<u>Item 1. Legal Proceedings</u>	32
<u>Item 1A. Risk Factors</u>	35
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
<u>Item 3. Defaults Upon Senior Securities</u>	35
<u>Item 4. [Removed and Reserved]</u>	35
<u>Item 5. Other Information</u>	35
<u>Item 6. Exhibits</u>	36
<u>Signature</u>	37
<u>EX-10.5</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

Table of Contents

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, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,413	\$ 6,271
Receivables from clients, net	74,184	91,389
Unbilled services, net	58,867	33,076
Income tax receivable	7,661	4,896
Deferred income taxes	17,783	19,853
Insurance recovery receivable	27,000	27,000
Prepaid expenses and other current assets	15,535	15,653
Current assets of discontinued operations		2,476
Total current assets	205,443	200,614
Property and equipment, net	33,003	32,935
Deferred income taxes	10,221	12,440
Other non-current assets	9,553	10,575
Intangible assets, net	24,014	26,205
Goodwill	506,771	506,214
Total assets	\$ 789,005	\$ 788,983
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 8,902	\$ 8,310
Accrued expenses	31,472	28,849
Accrued payroll and related benefits	24,416	45,184
Accrued consideration for business acquisitions, current portion	3,914	25,013
Accrued litigation settlement	40,140	39,552
Income tax payable	1,305	451
Deferred revenues	21,827	18,069
Current portion of capital lease obligations	47	32
Current liabilities of discontinued operations		699
Total current liabilities	132,023	166,159
Non-current liabilities:		
Deferred compensation and other liabilities	5,390	6,282
Accrued consideration for business acquisitions, net of current portion	2,914	3,847
Capital lease obligations, net of current portion	5	

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Bank borrowings	286,500	257,000
Deferred lease incentives	6,947	7,323
Total non-current liabilities	301,756	274,452
Stockholders equity		
Common stock; \$0.01 par value; 500,000,000 shares authorized; 23,651,313 and 23,221,287 shares issued at March 31, 2011 and December 31, 2010, respectively	225	222
Treasury stock, at cost, 1,445,655 and 1,343,201 shares at March 31, 2011 and December 31, 2010, respectively	(68,651)	(65,675)
Additional paid-in capital	368,729	363,402
Retained earnings	56,439	52,383
Accumulated other comprehensive loss	(1,516)	(1,960)
Total stockholders equity	355,226	348,372
Total liabilities and stockholders equity	\$ 789,005	\$ 788,983

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

Table of Contents

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

	Three Months Ended	
	March 31,	
	2011	2010
Revenues and reimbursable expenses:		
Revenues	\$ 142,985	\$ 127,742
Reimbursable expenses	13,102	11,499
Total revenues and reimbursable expenses	156,087	139,241
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):		
Direct costs	93,059	84,911
Intangible assets amortization	1,433	886
Reimbursable expenses	13,242	11,552
Total direct costs and reimbursable expenses	107,734	97,349
Operating expenses:		
Selling, general and administrative	30,058	29,068
Restructuring charge	524	
Restatement related expenses	1,240	759
Litigation settlement, net	588	
Depreciation and amortization	4,305	4,627
Total operating expenses	36,715	34,454
Operating income	11,638	7,438
Other income (expense):		
Interest expense, net of interest income	(3,572)	(2,955)
Other income	104	246
Total other expense	(3,468)	(2,709)
Income from continuing operations before income tax expense	8,170	4,729
Income tax expense	4,209	2,048
Net income from continuing operations	3,961	2,681
Income (loss) from discontinued operations, net of tax	95	(167)
Net income	\$ 4,056	\$ 2,514
Net earnings (loss) per basic share:		
Income from continuing operations	\$ 0.19	\$ 0.13

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Income (loss) from discontinued operations, net of tax	\$	\$ (0.01)
Net income	\$ 0.19	\$ 0.12
Net earnings (loss) per diluted share:		
Income from continuing operations	\$ 0.19	\$ 0.13
Income (loss) from discontinued operations, net of tax	\$	\$ (0.01)
Net income	\$ 0.19	\$ 0.12
Weighted average shares used in calculating earnings (loss) per share:		
Basic	20,925	20,296
Diluted	21,157	20,496

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

2

Table of Contents

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

	Common Stock		Treasury Stock	Additional Paid-In	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders Equity
	Shares	Amount		Capital			
Balance at December 31, 2010	22,241,429	\$ 222	\$ (65,675)	\$ 363,402	\$ 52,383	\$ (1,960)	\$ 348,372
Comprehensive income:							
Net income					4,056		4,056
Foreign currency translation adjustment, net of tax						312	312
Unrealized gain on cash flow hedging instrument, net of tax						132	132
Total comprehensive income							4,500
Issuance of common stock in connection with:							
Restricted stock awards, net of cancellations	263,255	3	(539)	536			
Exercise of stock options	24,969			206			206
Share-based compensation				6,046			6,046
Shares redeemed for employee tax withholdings			(2,437)				(2,437)
Income tax expense on share-based compensation				(1,461)			(1,461)

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Balance at									
March 31, 2011	22,529,653	\$ 225	\$ (68,651)	\$ 368,729	\$ 56,439	\$ (1,516)	\$ 355,226		

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

3

Table of Contents

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

	Three Months Ended	
	March 31,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 4,056	\$ 2,514
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	5,738	5,597
Share-based compensation	5,236	5,965
Allowances for doubtful accounts and unbilled services	182	(1,078)
Deferred income taxes	2,581	7,872
Gain on disposal of property and equipment	(46)	
Non-cash portion of litigation settlement	588	
Changes in operating assets and liabilities, net of businesses acquired:		
Decrease in receivables from clients	19,266	15,342
Increase in unbilled services	(26,402)	(8,703)
Increase in current income tax receivable, net	(2,201)	(7,014)
Decrease (increase) in other assets	2,748	(2,445)
Increase in accounts payable and accrued liabilities	1,165	9,213
Decrease in accrued payroll and related benefits	(20,058)	(52,784)
Increase in deferred revenues	3,755	966
Net cash used in operating activities	(3,392)	(24,555)
Cash flows from investing activities:		
Purchases of property and equipment, net	(3,337)	(566)
Net investment in life insurance policies	(143)	(171)
Purchases of businesses	(22,886)	(63,277)
Sale of business		3,692
Net cash used in investing activities	(26,366)	(60,322)
Cash flows from financing activities:		
Proceeds from exercise of stock options	206	17
Shares redeemed for employee tax withholdings	(2,437)	(1,111)
Tax benefit from share-based compensation	156	245
Proceeds from borrowings under credit facility	107,000	162,000
Repayments on credit facility	(77,500)	(80,000)
Payments of capital lease obligations	(29)	(76)
Net cash provided by financing activities	27,396	81,075

Effect of exchange rate changes on cash	428	(789)
Net decrease in cash and cash equivalents	(1,934)	(4,591)
Cash and cash equivalents at beginning of the period	6,347	6,459
Cash and cash equivalents at end of the period ⁽¹⁾	\$ 4,413	\$ 1,868

(1) Cash and cash equivalents presented herein includes \$1.0 million of cash and cash equivalents classified as discontinued operations as of March 31, 2010.

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

Table of Contents

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

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, reduce costs, recover from distress, leverage technology, and stimulate growth. We team with our clients to deliver sustainable and measurable results. Our professionals employ their expertise in healthcare administration, accounting, finance 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 healthcare organizations, leading academic institutions, governmental entities, 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 months ended March 31, 2011 and 2010. These financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for Quarterly Reports on Form 10-Q. Accordingly, these financial statements do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America (GAAP) for annual financial statements. 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 GAAP. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2010.

Certain amounts reported in the previous year have been reclassified to conform to the 2011 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

As previously disclosed, on August 17, 2009, we restated our 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 related to the accounting for certain acquisition-related payments received by the selling shareholders of four acquired businesses (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. Certain acquisition-related payments were subsequently redistributed by such selling shareholders among themselves in amounts that were not consistent with their ownership interests on the date we acquired the businesses (the Shareholder Payments) and to other select client-serving and administrative Company employees (the Employee Payments) based, in part, on continuing employment with the Company or the achievement of personal performance measures. The restatement was necessary because we failed to account for the Shareholder Payments and the Employee Payments in accordance with GAAP. The Shareholder Payments and the Employee Payments were required to be reflected as non-cash compensation expense of Huron, and the selling shareholders were deemed to have made a capital contribution to Huron. The payments were made directly by the selling shareholders from the acquisition proceeds they received from us and, accordingly, the correction of these errors had no effect on our net cash flows. 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.

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

Table of Contents

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

only in accordance with their equity interests on the date we acquired the business with no required continuing employment, and no further Shareholder Payments or Employee Payments will be made. Accordingly, all earn-out payments related to such Acquired Businesses made on or after August 1, 2009, have been, and will continue to be, accounted for as additional purchase consideration and not also as non-cash compensation expense. Additional earn-out payment obligations, payable through December 31, 2011, currently remain with respect to only one Acquired Business.

The SEC is conducting an investigation with respect to the restatement. As often happens in these circumstances, the United States Attorney's Office (USAO) for the Northern District of Illinois made a telephonic request of our counsel for copies of certain documents that we previously provided to the SEC, which we then voluntarily provided.

In addition, several purported shareholder class action complaints, since consolidated, and derivative lawsuits have been filed in connection with the restatement. See note 13. Commitments, Contingencies and Guarantees for a discussion of the SEC investigations, the USAO's request for certain documents, and the purported private shareholder class action lawsuit and derivative lawsuits that occurred as a result of the restatement.

For the three months ended March 31, 2011 and 2010, expenses incurred in connection with the restatement totaled \$1.2 million and \$0.8 million, respectively, and were primarily comprised of legal fees.

4. New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued additional authoritative guidance related to fair value measurements and disclosures. The guidance requires disclosure of details of significant transfers in and out of Level 1 and Level 2 fair value measurements. The guidance also clarifies the existing disclosure requirements for the level of disaggregation of fair value measurements and the disclosures on inputs and valuation techniques. The company adopted these provisions effective January 1, 2010. The adoption did not have a significant impact on our consolidated financial statements. In addition, the guidance also requires the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. We adopted this additional guidance pertaining to Level 3 fair value measurements effective January 1, 2011. The adoption of this guidance did not have any impact on our financial statements as it contains only disclosure requirements.

In October 2009, the FASB issued new guidance regarding revenue arrangements with multiple deliverables. This new guidance requires companies to allocate revenue in arrangements involving multiple deliverables based on the estimated selling price of each deliverable, even though such deliverables are not sold separately either by the company or by other vendors. This new guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We adopted this pronouncement effective January 1, 2011. The adoption of this pronouncement did not have a significant impact on our financial statements.

5. Discontinued Operations

Since December 31, 2009, we have undertaken several separate initiatives to divest certain practices within the Financial Consulting segment in order to enable us to devote more of our energy and financial resources to the remaining businesses of the Company where we have a more substantial market presence. On September 30, 2010, we completed a sale of a portion of the Disputes and Investigations (D&I) practice and wound down the remaining practice operations as of that same date. Additionally, during the third quarter of 2010 we exited the utilities consulting (Utilities) practice. In December 2009, our Board approved a plan to divest the businesses that included the international operations of our Japan office (Japan) and the strategy business MS Galt & Co LLC (Galt), which we acquired in April 2006. We exited Galt with the December 31, 2009 sale of the business back to its three original principals. We exited Japan effective June 30, 2010 via a wind down of the business. The Company recognized a gain of \$1.2 million in connection with the sale of D&I and a loss of \$0.4 million in connection with the sale of Galt. As a result of these actions, the operating results of D&I, Utilities, Japan, and Galt are reported as discontinued operations. All other operations of the business are considered continuing operations. Amounts previously reported have been reclassified to conform to this presentation in accordance with FASB ASC Topic 205 Presentation of

Financial Statements to allow for meaningful comparison of continuing operations. The Consolidated Balance Sheet as of March 31, 2011 and December 31, 2010 aggregates amounts associated with the discontinued operations as described above.

Table of Contents

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

Summarized operating results of discontinued operations are presented in the following table (amounts in thousands):

	Three Months Ended	
	March 31,	
	2011	2010
Revenues	\$ 45	\$ 13,313
Income (loss) from discontinued operations before income tax expense	\$ 58	\$ (498)
Net income (loss) from discontinued operations	\$ 95	\$ (167)

The carrying amounts of the major classes of assets and liabilities aggregated in discontinued operations in the consolidated balance sheet as of December 31, 2010 are presented in the following table (amounts in thousands). There were no assets or liabilities aggregated in discontinued operations in the consolidated balance sheet as of March 31, 2011.

	December 31,	
	2010	
Assets		
Cash	\$	76
Receivables from clients, net		940
Other current assets		1,460
Total current assets		2,476
Other non-current assets		
Total assets	\$	2,476
Liabilities		
Accrued payroll and related benefits	\$	70
Income tax payable		301
Accounts payable, accrued expenses and other liabilities		328
Total current liabilities		699
Other non-current liabilities		
Total liabilities	\$	699

6. Goodwill and Intangible Assets

The table below sets forth the changes in the carrying amount of goodwill by segment for the three months ended March 31, 2011.

	Health and Education Consulting	Legal Consulting	Financial Consulting	Total
Balance as of December 31, 2010:				
Goodwill	\$ 418,652	\$ 33,013	\$ 160,549	\$ 612,214

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Accumulated impairment losses			(106,000)	(106,000)
Goodwill, net	418,652	33,013	54,549	506,214
Goodwill recorded in connection with business combinations	66	175		241
Foreign currency translation goodwill		316		316
Balance as of March 31, 2011:				
Goodwill	418,718	33,504	160,549	612,771
Accumulated impairment losses			(106,000)	(106,000)
Goodwill, net	\$ 418,718	\$ 33,504	\$ 54,549	\$ 506,771

7

Table of Contents

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

Intangible assets as of March 31, 2011 and December 31, 2010 consisted of the following:

	March 31, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer contracts	\$ 885	\$ 544	\$ 885	\$ 309
Customer relationships	18,290	5,451	18,213	4,781
Non-competition agreements	11,271	6,855	11,271	6,320
Tradenames	3,717	3,538	3,717	3,409
Technology and software	11,949	5,710	11,949	5,011
Total	\$ 46,112	\$ 22,098	\$ 46,035	\$ 19,830

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 customer relationships are amortized on an accelerated basis to correspond to the cash flows expected to be derived from the relationships. All other customer 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 \$1.9 million for the three months ended March 31, 2011 and 2010, respectively. Estimated annual intangible assets amortization expense is \$8.4 million for 2011, \$5.9 million for 2012, \$3.6 million for 2013, \$2.5 million for 2014, \$1.7 million for 2015 and \$0.9 million for 2016. Actual future amortization expense could differ from these estimated amounts as a result of future acquisitions and other factors.

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. Earnings per share under the basic and diluted computations are as follows:

	Three Months Ended March 31,	
	2011	2010
Net income from continuing operations	\$ 3,961	\$ 2,681
Income (loss) from discontinued operations, net of tax	95	(167)
Net income	\$ 4,056	\$ 2,514
Weighted average common shares outstanding basic	20,925	20,296
Weighted average common stock equivalents	232	200
Weighted average common shares outstanding diluted	21,157	20,496

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Net earnings (loss) per basic share:		
Net income from continuing operations	\$ 0.19	\$ 0.13
Income (loss) from discontinued operations, net of tax		(0.01)
Net income	\$ 0.19	\$ 0.12
Net earnings (loss) per diluted share:		
Net income from continuing operations	\$ 0.19	\$ 0.13
Income (loss) from discontinued operations, net of tax		(0.01)
Net income	\$ 0.19	\$ 0.12

The computation of diluted earnings per share excludes outstanding options and other common stock equivalents in periods where inclusion of such potential common stock instruments would be anti-dilutive in the periods presented. The weighted average common stock equivalents presented above do not include the anti-dilutive effect of approximately 481,700 and 666,700 potentially dilutive common stock equivalents for the three months ended March 31, 2011 and 2010, respectively.

Table of Contents

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

8. Borrowings

As of March 31, 2011, the Revolving Credit and Term Loan Credit Agreement, as amended (the **Credit Agreement**), consists of a \$180.0 million revolving credit facility (**Revolver**) and a \$220.0 million 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.

The obligations under the Credit Agreement are secured pursuant to a Security Agreement with Bank of America as Administrative Agent. The Security Agreement grants Bank of America, for the ratable benefit of the lenders under 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. The Revolver and Term Loan are also secured by a pledge of 100% of the voting stock or other equity interests in our domestic subsidiaries and 65% of the voting stock or other equity interests in our foreign subsidiaries.

Fees and interest on borrowings vary based on our total debt to EBITDA ratio as set forth in the Credit Agreement, as amended. Interest is based on a spread, ranging from 2.25% to 3.25% over LIBOR or a spread, ranging from 1.25% to 2.25% 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 letters of credit fee ranges from 2.25% to 3.25%, while the non-use fee is a flat 0.5%.

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 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. On April 14, 2011, the Company entered into an amended and restated credit agreement as described in note 15. Subsequent Events.

The borrowing capacity under the Credit Agreement is reduced by any outstanding letters of credit and payments under the Term Loan. At March 31, 2011, outstanding letters of credit totaled \$6.4 million and are used primarily as security deposits for our office facilities. As of March 31, 2011, the borrowing capacity under the Credit Agreement was \$46.6 million. Borrowings outstanding under the credit facility at March 31, 2011 totaled \$286.5 million. 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 . All of the borrowings outstanding under the credit agreement are classified as long-term on our consolidated balance sheet since we entered into an amended and restated credit agreement dated April 14, 2011 that extended the maturity date of the Revolver and Term Loan to 2016, and we intend to fund scheduled quarterly payments under the Term Loan with availability under the Revolver. See note 15. Subsequent Events for additional information about our Amended and Restated Credit Agreement. Borrowings outstanding at December 31, 2010 were \$257.0 million and carried a weighted-average interest rate of 4.5%. At both March 31, 2011 and December 31, 2010, we were in compliance with our financial debt covenants. 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 at future covenant measurement dates. Accordingly, pursuant to the provisions of FASB ASC Topic 470, Debt , all amounts not due within the next twelve months under the amended loan terms have been classified as long-term liabilities.

9. Restructuring Charges

During the first quarter of 2011, we incurred a \$0.5 million pre-tax restructuring charge related to the consolidation of office space within our Chicago office. The \$0.5 million charge is primarily comprised of the discounted future cash flows of rent expenses we are obligated to pay under the lease agreement, partially offset by future sublease income which we calculated based on certain sublease assumptions. This restructuring reserve balance was \$0.5 million as of March 31, 2011.

Table of Contents

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

During the fourth quarter of 2010, we incurred a \$2.6 million pre-tax restructuring charge related to the exit of our San Francisco office space during the fourth quarter of 2010 due to the excess capacity at the space and the virtual nature of the employees in this geographic region. This restructuring charge was primarily comprised of the discounted future cash flows of rent expenses we are obligated to pay under the lease agreement, which were partially offset by estimated sublease income we calculated based on a sublease agreement executed in the fourth quarter of 2010. This restructuring reserve balance was \$2.2 million as of March 31, 2011.

During the third quarter of 2010, we incurred a \$0.3 million pre-tax restructuring charge related to the exit of excess office space, as well as severance for certain corporate personnel related to the disposition of the D&I practice discussed above in note 5. Discontinued Operations . This restructuring reserve balance was \$0.1 million as of March 31, 2011.

During the second quarter of 2010, we consolidated two of our offices into one existing location and incurred a \$1.2 million pre-tax restructuring charge related to the exit of the office space. The restructuring charge is primarily comprised of the discounted future cash flows of rent expenses we are obligated to pay under the lease agreement. There is no sublease income assumed in the restructuring charge due to the short term nature of the remaining lease term. This restructuring reserve balance was \$0.5 million as of March 31, 2011.

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 , 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. All derivative gains and losses included in OCI will be reclassified into earnings within the next 12 months. At this time, there is no ineffectiveness to record on the Company s Consolidated Statements of Operations resulting from the derivative instrument.

The tables below set forth additional information relating to this interest rate swap designated as a hedging instrument as of March 31, 2011 and December 31, 2010, and for the three months ended March 31, 2011 and 2010.

Balance Sheet Location	Fair Value (Derivative Liability)	
	March 31, 2011	December 31, 2010
Accrued expenses	\$ 1,241	\$
Deferred compensation and other liabilities	\$	\$ 1,459

**Amount of Gain (Loss), Net of Tax,
Recognized in
Other Comprehensive Income
Three Months Ended
March 31,**

Derivative	2011	2010
Interest rate swap	\$ 132	\$ (367)

We do not use derivative instruments for trading or other speculative purposes and we did not have any other derivative instruments or hedging activities as of March 31, 2011.

10

Table of Contents

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

11. Fair Value of Financial Instruments

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 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.

The table below sets forth our fair value hierarchy for our financial liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
March 31, 2011				
Liabilities:				
Settlement Shares	\$ 13,140	\$	\$	\$ 13,140
Interest rate swap	\$	\$ 1,241	\$	\$ 1,241
December 31, 2010				
Liabilities:				
Settlement Shares	\$ 12,552	\$	\$	\$ 12,552
Interest rate swap	\$	\$ 1,459	\$	\$ 1,459

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.

See note 13. Commitments, Contingencies and Guarantees for more information about the Settlement Shares.

Table of Contents

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

12. Comprehensive Income

The tables below set forth the components of comprehensive income (loss) for the three months ended March 31, 2011 and 2010.

	Three Months Ended March 31, 2011			Three Months Ended March 31, 2010		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Net income			\$ 4,056			\$ 2,514
Other comprehensive income (loss):						
Foreign currency translation adjustment	\$ 371	\$ (59)	312	\$ (683)	\$	(683)
Unrealized gain (loss) on cash flow hedging instrument	219	(87)	132	(612)	245	(367)
Other comprehensive income (loss)	\$ 590	\$ (146)	444	\$ (1,295)	\$ 245	(1,050)
Comprehensive income			\$ 4,500			\$ 1,464

13. Commitments, Contingencies and Guarantees**Litigation**

In August, 2009, the SEC commenced an investigation with respect to the restatement and an investigation into the allocation of time within a certain practice group. We also conducted a separate inquiry, in response to the initial inquiry from the SEC, into the allocation of time within a certain practice group. This matter had no impact on billings to our clients, but could have impacted the timing of when revenue was recognized. Based on our internal inquiry, which is complete, we have concluded that an adjustment to our historical financial statements is not required with respect to this matter. The SEC investigations with respect to the restatement and the allocation of time within a certain practice group are ongoing. 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 were 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 complaint 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 3, 2009. On October 6, 2009, Plaintiff Thomas Fisher voluntarily dismissed his complaint. On November 16, 2009, the remaining suits were consolidated and the Public School Teachers Pension & Retirement Fund of Chicago, the Arkansas Public Employees Retirement System, the City of Boston Retirement Board, the Cambridge Retirement System and the Bristol County Retirement System were appointed Lead Plaintiffs. Lead Plaintiffs filed a consolidated complaint on January 29, 2010. The consolidated complaint asserts claims under Section 10(b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder against Huron Consulting Group, Inc., Gary Holdren and Gary Burge and claims under Section 20(a) of the Exchange Act against Gary

Table of Contents

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

Holdren, Gary Burge and Wayne Lipski. The consolidated complaint contends that the Company and the individual defendants issued false and misleading statements regarding the Company's financial results and compliance with GAAP. Lead Plaintiffs request that the action be declared a class action, and seek unspecified damages, equitable and injunctive relief, and reimbursement for fees and expenses incurred in connection with the action, including attorneys fees. On March 30, 2010, Huron, Gary Burge, Gary Holdren and Wayne Lipski jointly filed a motion to dismiss the consolidated complaint. On August 6, 2010, the Court denied the motion to dismiss. On December 6, 2010, we reached an agreement in principle with Lead Plaintiffs to settle the litigation (the Class Action Settlement), pursuant to which the plaintiffs will receive total consideration of approximately \$39.6 million, comprised of \$27.0 million in cash and the issuance by the Company of 474,547 shares of our common stock (the Settlement Shares). The Settlement Shares had an aggregate value of approximately \$12.6 million based on the closing market price of our common stock on December 31, 2010. As a result of the Class Action Settlement, we recorded a non-cash charge to earnings in the fourth quarter of 2010 of \$12.6 million representing the fair value of the Settlement Shares and a corresponding settlement liability. During the first quarter of 2011, we recorded an additional \$0.6 million non-cash charge related to the Settlement Shares to reflect the fair value of the Settlement Shares as of March 31, 2011, which totaled \$13.2 million, and a corresponding increase to our recorded settlement liability. We will continue to adjust the amount of the non-cash charge and corresponding settlement liability to reflect changes in the fair value of the Settlement Shares until and including the date of issuance, which may result in either additional non-cash charges or non-cash gains. In accordance with the proposed settlement, in the fourth quarter of 2010 we also recorded a receivable for the cash portion of the consideration, which was funded into escrow in its entirety by our insurance carriers in the first quarter of 2011, and a corresponding settlement liability. There was no impact to our Consolidated Statement of Operations for the cash consideration as we concluded that a right of setoff existed in accordance with Accounting Standards Codification Topic 210-20-45, Other Presentation Matters. The total amount of insurance coverage under the related policy was \$35.0 million and the insurers had previously paid out approximately \$8.0 million in claims prior to the final \$27.0 million payment discussed above. As a result of the final payment by the insurance carriers, we will not receive any further contributions from our insurance carriers for the reimbursement of legal fees expended on the finalization of the Class Action Settlement or any amounts (including any damages, settlement costs or legal fees) with respect to the SEC investigation with respect to the restatement, the USAO's request for certain documents and the purported private shareholder class action lawsuit and derivative lawsuits in respect of the restatement (collectively, the restatement matters). The proposed Class Action Settlement received preliminary court approval on January 21, 2011 and is subject to final court approval and the issuance of the Settlement Shares. A Fairness Hearing is currently scheduled to consider final approval of the settlement on May 6, 2011. The issuance of the Settlement Shares is expected to occur after final court approval is granted. There can be no assurance that final court approval will be granted. The proposed settlement contains no admission of wrongdoing. Additionally, the Company has the right to terminate the settlement if class members representing more than a specified amount of alleged securities losses elect to opt out of the settlement.

The Company also has 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). The consolidated cases are captioned In Re Huron Consulting Group, Inc. Shareholder Derivative Litigation. On March 8, 2010, plaintiffs filed a consolidated complaint. The consolidated complaint asserts claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. The consolidated complaint also alleges claims for professional negligence and breach of

contract against PricewaterhouseCoopers LLP, the Company's independent auditors. Plaintiffs seek to recoup for the Company 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. Huron filed a motion to dismiss plaintiffs' consolidated complaint on April 22, 2010. On October 25, 2010, the Court granted Huron's motion to dismiss and dismissed plaintiffs' consolidated complaint with prejudice. On November 19, 2010, plaintiffs filed a notice of appeal of the dismissal to the Appellate Court of Illinois.

The Company has also been named as a nominal defendant in three Federal derivative suits filed in connection with the Company's restatement, since consolidated in the United States District Court for the Northern District of Illinois on November 23, 2009: (1) a complaint in the matter of Oakland County Employees' Retirement System, derivatively on

Table of Contents

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

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). Oakland County Employees Retirement System, Philip R. Wilmore and Lawrence J. Goelz have been named Lead Plaintiffs. Lead Plaintiffs filed a consolidated complaint on January 15, 2010. The consolidated complaint asserts claims under Section 14(a) of the Exchange Act and for breach of fiduciary duty, waste of corporate assets and unjust enrichment. Lead Plaintiffs seek to recoup for the Company 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. On April 7, 2010, the Court denied Huron's motion to stay the Federal derivative suits. On April 8, 2010, Huron filed a motion to stay discovery proceedings in the derivative suits, pursuant to the Private Securities Litigation Reform Act, pending the resolution of Huron's motion to dismiss plaintiffs consolidated complaint. The Court granted Huron's motion to stay discovery proceedings in the derivative suits on April 12, 2010. Huron filed a motion to dismiss plaintiffs consolidated complaint on April 27, 2010. Huron's motion to dismiss was granted, judgment entered and the case closed on September 7, 2010. On October 5, 2010, plaintiffs moved for relief from judgment and for leave to file a first amended complaint. The Court granted plaintiffs motion on October 12, 2010, and plaintiffs filed their amended complaint that same day. Defendants moved to dismiss plaintiffs amended complaint on November 5, 2010. On March 22, 2011, the Court granted defendants motion to dismiss and dismissed plaintiffs amended complaint with prejudice.

Given the uncertain nature of 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.

On December 9, 2009, plaintiff, Associates Against Outlier Fraud, filed a First Amended *qui tam* complaint against Huron Consulting Group, Inc., and others under the federal and New York state False Claims Act (FCA) in the United States District Court for the Southern District of New York. The federal and state FCA authorize private individuals (known as relators) to sue on behalf of the government (known as *qui tam* actions) alleging that false or fraudulent claims were knowingly submitted to the government. Once a *qui tam* action is filed, the government may elect to intervene in the action. If the government declines to intervene, the relator may proceed with the action. Under the federal and state FCA, the government may recover treble damages and civil penalties (civil penalties of up to \$11,000 per violation under the federal FCA and \$12,000 per violation under the state FCA). On January 6, 2010, the United States declined to intervene in the lawsuit. On February 2, 2010, Huron filed a motion to dismiss the relator's federal and state claims. On August 25, 2010, the Court granted Huron's motion to dismiss without prejudice. On September 29, 2010, relator filed a Second Amended Complaint alleging that Huron and others caused St. Vincent Catholic Medical Center to receive more than \$30 million in inflated outlier payments under the Medicare and Medicaid programs in violation of the federal and state FCA and also seeks to recover an unspecified amount of civil penalties. On October 19, 2010 Huron filed a motion to dismiss the Second Amended Complaint, which the Court denied on January 3, 2011. The suit is in the pre-trial stage and no trial date has been set. We believe that the claims are without merit and intend to vigorously defend ourselves in this matter.

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 current 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.

Table of Contents

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

Guarantees

Guarantees in the form of letters of credit totaling \$6.4 million and \$6.3 million were outstanding at March 31, 2011 and December 31, 2010, respectively, to support certain office lease obligations as well as Middle East performance and bid bonds.

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. Additional purchase consideration earned by certain sellers totaled \$28.3 million for the year ended December 31, 2010, of which \$3.0 million remains payable as of March 31, 2011. 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 attorney's 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.

14. Segment Information

Segments are defined by FASB ASC Topic 280, Segment Reporting, 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 three operating segments: Health and Education Consulting, Legal Consulting, and Financial 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 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.

Legal Consulting. Our Legal Consulting segment provides advisory and business services to assist law departments and law firms with their strategy, organizational design and development, operational efficiency, and cost effectiveness. These results-driven services add value to organizations by helping reduce legal spend and enhance client service. Our expertise focuses on strategic and management consulting, cost management, and technology and information management including matter management, records, document review and discovery services. Included in this segment's offerings is our V3locity solution, which delivers streamlined e-discovery process resulting in more affordable and predictable discovery costs and our IMPACT solution, which delivers sustainable cost reductions.

Financial Consulting. Our Financial Consulting segment assists corporations with complex accounting and financial reporting matters, and provides financial analysis in restructuring and turnaround situations. We have an array of services that are flexible and responsive to event- and transaction-based needs across industries. Our professionals consist of certified public accountants, certified insolvency and restructuring advisors, certified turnaround professionals, and chartered financial analysts that serve attorneys, corporations, and financial

institutions as advisors and consultants. Huron also consults with companies in the areas of corporate governance, Sarbanes Oxley compliance, and internal audit, and helps companies with critical finance and accounting department projects utilizing on demand resources.

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.

Table of Contents

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

These administrative function costs include costs for corporate office support, certain office facility costs, costs relating to accounting and finance, human resources, legal, marketing, information technology and company-wide business development functions, as well as costs related to overall corporate management.

The table below sets forth information about our operating segments for the three months ended March 31, 2011 and 2010, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements.

	Three Months Ended March 31,	
	2011	2010
Health and Education Consulting:		
Revenues	\$ 91,031	\$ 76,914
Operating income	\$ 26,367	\$ 21,066
Segment operating income as a percent of segment revenues	29.0%	27.4%
Legal Consulting:		
Revenues	\$ 37,317	\$ 33,105
Operating income	\$ 9,595	\$ 7,419
Segment operating income as a percent of segment revenues	25.7%	22.4%
Financial Consulting:		
Revenues	\$ 14,637	\$ 17,723
Operating income	\$ 3,375	\$ 4,518
Segment operating income as a percent of segment revenues	23.1%	25.5%
Total Company:		
Revenues	\$ 142,985	\$ 127,742
Reimbursable expenses	13,102	11,499
Total revenues and reimbursable expenses	\$ 156,087	\$ 139,241
Statement of operations reconciliation:		
Segment operating income	\$ 39,337	\$ 33,003
Charges not allocated at the segment level:		
Other selling, general and administrative expenses	23,394	20,938
Depreciation and amortization expense	4,305	4,627
Other expense, net	3,468	2,709
Income from continuing operations before income tax expense	\$ 8,170	\$ 4,729

15. Subsequent Events

On April 14, 2011 (Closing Date), the Company and certain of the Company's subsidiaries as guarantors entered into an Amended and Restated Credit Agreement, dated as of April 14, 2011, (the Agreement) with the various financial institutions party thereto, which include, Bank of America, N.A., as lender, administrative agent and collateral agent for the lenders; JPMorgan Chase Bank, N.A., as lender and syndication agent; PNC Bank, National Association, Harris N.A. and KeyBank National Association as lenders and Co-Documentation Agents; Fifth Third Bank, The Northern Trust Company, RBS Citizens, N.A., The PrivateBank and Trust Company, FirstMerit Bank, N.A., and Northbrook Bank & Trust Company as lenders (collectively the Lenders); and Merrill Lynch, Pierce, Fenner & Smith

Incorporated and J.P. Morgan Securities LLC, as joint lead arrangers and joint book managers. The Agreement replaces the Credit Agreement, dated as of June 7, 2006, and all subsequent amendments thereto, by and among the Company and the lenders therein.

Under the Agreement, the Lenders have agreed to make available to the Company a senior secured credit facility in an aggregate principal amount of \$350 million comprised of the following: a five-year revolving credit facility under which the Company may borrow from time to time up to \$150 million and a \$200 million five-year term loan facility which was funded in a single advance on the closing date. The revolving credit facility is reduced by any letters of credit outstanding. The Agreement provides for the option to increase the revolving credit facility in an aggregate amount of up to \$50 million subject to certain requirements as defined in the Agreement. The proceeds of the senior secured credit facility are to be used (i) to refinance existing indebtedness, and (ii) for working capital, capital expenditures, and other lawful corporate purposes.

Table of Contents

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

Fees and interest on borrowings vary based on the Company's total debt to earnings before interest, taxes, depreciation and amortization ratio as set forth in the Agreement and will be based on a spread over LIBOR or a spread over the base rate, as selected by the Company. The base rate is the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate and (c) except during a Eurodollar Unavailability Period, the Eurodollar Rate plus 1.0%.

The commitment under the revolving credit facility will terminate five years from the Closing Date, at which time the outstanding principal balance and all accrued interest and fees will be due and payable in full. The term loan is subject to scheduled quarterly amortization payments equal to 7.5% of the original principal balance in year one, 10.0% in year two, 12.5% in years three and four, and 57.5% in year five, as set forth in the Agreement. The maturity date for the term Loan is April 14, 2016, at which time the outstanding principal balance and all accrued interest will be due and payable in full. The maturity date of any borrowings is automatically accelerated upon the bankruptcy or insolvency of the Company or any of its subsidiaries and may be accelerated by the Lenders upon the default in the payment of any principal, interest or fees on the borrowings, the default in the payment of amounts in any other agreements in excess of \$15 million, the failure by the Company to comply with or perform certain specified covenants or agreements in the Agreement, any representation or warranty in the Agreement and specified other documents is breached or is false or misleading, or a change in control of the Company.

The Agreement also includes financial covenants that require the Company to maintain certain leverage ratio, fixed charge coverage ratio and net worth levels. In addition, certain acquisitions and similar transactions will need to be approved by the Lenders.

On April 14, 2011, the Company also entered into an Amended and Restated Security Agreement (the Security Agreement) and an Amended and Restated Pledge Agreement (the Pledge Agreement) with Bank of America, N.A. as collateral agent for the holders of the secured obligations. The Security Agreement is required by the terms of the Agreement in order to secure the obligations thereunder, and grants Bank of America, for the benefit of the Lenders under the Agreement, a first-priority lien, subject to permitted liens, on substantially all of the personal property assets of the Company and the subsidiary grantors. The Pledge Agreement is also required by the terms of the Agreement in order to secure the obligations thereunder, and grants Bank of America, for the benefit of the Lenders under the Agreement, a first-priority lien, subject to permitted liens, on 100% of the issued and outstanding equity interests of the Company and each of its domestic subsidiaries and 65% of the issued and outstanding equity interests of certain foreign subsidiaries.

Table of Contents**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.

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 Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by words such as "may," "should," "expects," "plans," "anticipates," "assumes," "can," "considers," "could," "intends," "would," "believes," "estimates" or "continues." Risks, uncertainties and assumptions that could impact the Company's forward-looking statements relate, among other things, to (i) the restatement, (ii) the Securities and Exchange Commission ("SEC") investigation with respect to the restatement and the related purported private shareholder class action lawsuit and derivative lawsuits, (iii) the request by the United States Attorney's Office ("USAO") for the Northern District of Illinois for certain documents, (iv) final approval of the proposed settlement of the purported class action lawsuit related to the restatement and (v) the share price of the shares of our common stock included as a portion of the settlement consideration at the time of issuance. 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; that existing market conditions continue to trend upward; that we will receive final approval of the proposed settlement of the purported class action lawsuit related to the restatement; and the share price of the shares of our common stock included as a portion of the settlement consideration at the time of issuance. These statements involve known and unknown risks, uncertainties and other factors, including, among others, those described under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010 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.

OVERVIEW**Our Business**

We are a leading provider of operational and financial consulting services. We help clients in diverse industries improve performance, comply with complex regulations, reduce costs, recover from distress, leverage technology, and stimulate growth. We team with our clients to deliver sustainable and measurable results. Our professionals employ their expertise in healthcare administration, accounting, finance 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 healthcare organizations, leading academic institutions, governmental entities, Fortune 500 companies, medium-sized businesses, and the law firms that represent these various organizations.

We provide our services through three operating segments: Health and Education Consulting, Legal Consulting and Financial 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 challenges relating to 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.

Legal Consulting

Our Legal Consulting segment provides advisory and business services to assist law departments and law firms with their strategy, organizational design and development, operational efficiency, and cost effectiveness.

These

Table of Contents

results-driven services add value to organizations by helping reduce the amounts they spend on legal services and enhance client service. Our expertise focuses on strategic and management consulting, cost management, and technology and information management including matter management, records, document review and discovery services. Included in this segment's offerings is our V3locity® solution, which delivers streamlined e-discovery process resulting in more affordable and predictable discovery costs and our IMPACT solution, which delivers sustainable cost reductions.

Financial Consulting

Our Financial Consulting segment assists corporations with complex accounting and financial reporting matters, and provides financial analysis in restructuring and turnaround situations. We have an array of services that are flexible and responsive to event- and transaction-based needs across industries. Our professionals consist of certified public accountants, certified insolvency and restructuring advisors, certified turnaround professionals, and chartered financial analysts that serve attorneys, corporations, and financial institutions as advisors and consultants. Huron also consults with companies in the areas of corporate governance, Sarbanes Oxley compliance, and internal audit, and helps companies with critical finance and accounting department projects utilizing as needed resources.

How We Generate Revenues

A large portion of our revenues are generated by our full-time consultants who provide consulting services to our clients and are billable to our clients based on the number of hours worked. A smaller portion of our revenues is generated by our other professionals, also referred to as full-time equivalents, 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. From time to time, our full-time consultants may provide software support and maintenance or document review and electronic data discovery services based on demand for such services and the availability of our full-time consultants. We refer to our full-time consultants and other professionals collectively as revenue-generating professionals.

Revenues generated by our full-time 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, or 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 45.9% and 51.9% of our revenues in the first quarter of 2011 and 2010, respectively.

In fixed-fee billing arrangements, we agree to a pre-established fee in exchange for a pre-determined set of professional services. We set the fees based on our estimates of the costs and timing for completing the engagements. It is the client's expectation in these engagements that the pre-established fee will not be exceeded except in mutually agreed upon circumstances. We recognize revenues under fixed-fee billing arrangements using a percentage-of-completion approach, which is based on our estimates of work completed to-date versus the total services to be provided under the engagement. For the quarter ended March 31, 2011 and 2010, fixed-fee engagements represented approximately 41.9% and 35.6%, respectively, of our revenues.

In performance-based fee billing arrangements, fees are tied to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, we 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.

Table of Contents

We do not recognize revenues under performance-based billing arrangements until all related performance criteria are met. Performance-based fee revenues represented 9.7% and 10.4% of our revenues in the first quarter of 2011 and 2010, respectively. Performance-based fee engagements may cause significant variations in quarterly revenues and operating results due to the timing of achieving the performance-based criteria.

We also generate revenues from licensing two types of proprietary software to clients. License revenue from our research administration and compliance software is recognized in accordance with FASB ASC Topic 985-605, generally in the month in which the software is delivered. License revenue from our revenue cycle management software is sold only as a component of our consulting projects and the services we provide are essential to the functionality of the software. Therefore, revenues from these software licenses are recognized over the term of the related consulting services contract in accordance with FASB ASC Topic 605-35. Clients that have purchased one of our software licenses can pay an annual fee for software support and maintenance. Annual support and maintenance fee revenue is recognized ratably over the support period, which is generally one year. These fees are billed in advance and included in deferred revenues until recognized. Support and maintenance revenues represented 2.5% and 2.1% of our revenues in the first quarter of 2011 and 2010, respectively.

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

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.

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.

To expand our business, we will remain focused on growing our existing relationships and developing new relationships, execute the new managing director compensation plan implemented in 2010 to attract and retain senior practitioners, continue to promote and provide an integrated approach to service delivery, broaden the scope of our existing services, and acquire complementary businesses. We will regularly evaluate the performance of our practices to ensure that investment meets these objectives. Furthermore, we intend to enhance our visibility in the marketplace by refining our overarching messaging and value propositions for the organization as well as each practice. The first quarter launch of our Huron Legal and Huron Healthcare brand identity is a major step in clearly articulating the benefits we offer our clients. We will continue to focus on reaching our client base through clear, concise, endorsed messages.

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 GAAP. The notes to our consolidated financial statements include disclosure of our significant accounting policies. We review our financial reporting and disclosure practices and accounting policies to ensure that our financial reporting and disclosures provide accurate information relative to the current economic and business environment. The preparation of financial statements in conformity with GAAP requires management to make assessments, estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to impact our financial position and operating results. While all decisions regarding accounting policies are important, we believe that there are four

Table of Contents

accounting policies that could be considered critical. These critical accounting policies relate to revenue recognition, allowances for doubtful accounts and unbilled services, carrying values of goodwill and other intangible assets, and valuation of net deferred tax assets. For a detailed discussion of these critical accounting policies, see Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no material changes to our critical accounting policies during the first three months of 2011.

RESTATEMENT OF PREVIOUSLY-ISSUED FINANCIAL STATEMENTS

As previously disclosed, on August 17, 2009, we restated our 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 related to the redistribution of certain payments related to four acquired businesses by the selling shareholders among themselves in amounts that were not consistent with their ownership interests on the date we acquired the businesses (the Shareholder Payments) and to other select client-serving and administrative Company employees (the Employee Payments) based, in part, on continuing employment with the Company or the achievement of personal performance measures. The restatement was necessary because we failed to account for the Shareholder Payments and the Employee Payments in accordance with GAAP. The Shareholder Payments and the Employee Payments were required to be reflected as non-cash compensation expense of Huron, and the selling shareholders were deemed to have made a capital contribution to Huron. Effective August 1, 2009, the selling shareholders of two of the acquired businesses each amended certain agreements related to the earn-outs to provide that future earn-outs will be distributed only to the applicable selling shareholders and only in accordance with their equity interests on the date we acquired the business with no required continuing employment, and no further Shareholder Payments or Employee Payments will be made. Accordingly, all earn-out payments related to such acquired businesses made on or after August 1, 2009, have been, and will continue to be, accounted for as additional purchase consideration and not also as non-cash compensation expense. Additional earn-out payment obligations, payable through December 31, 2011, currently remain with respect to only one acquired business.

For additional information about the restatement, see Note 3. Restatement of Previously-Issued Financial Statements , as well as our Annual Report on Form 10-K for the year ended December 31, 2010. See Part II, Item 1. Legal Proceedings and note 13. Commitments, Contingencies and Guarantees for a discussion of the SEC investigations, the USAO's request for certain documents, and the purported private shareholder class action lawsuit and derivative lawsuits that occurred as a result of the restatement.

Table of Contents**RESULTS OF OPERATIONS**

The following table sets forth, for the periods indicated, selected segment and consolidated operating results and other operating data. 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 costs include corporate costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment. See note 5. Discontinued Operations of this Quarterly Report for information related to our discontinued operations.

	Three Months Ended March	
	31,	
	2011	2010
Segment and Consolidated Operating Results (in thousands):		
Revenues and reimbursable expenses:		
Health and Education Consulting	\$ 91,031	\$ 76,914
Legal Consulting	37,317	33,105
Financial Consulting	14,637	17,723
Total revenues	142,985	127,742
Total reimbursable expenses	13,102	11,499
Total revenues and reimbursable expenses	\$ 156,087	\$ 139,241
Operating income:		
Health and Education Consulting	\$ 26,367	\$ 21,066
Legal Consulting	9,595	7,419
Financial Consulting	3,375	4,518
Total segment operating income	39,337	33,003
Operating expenses not allocated to segments	27,699	25,565
Total operating income	\$ 11,638	\$ 7,438
Other Operating Data:		
Number of full-time billable consultants (at period end)⁽¹⁾:		
Health and Education Consulting	960	847
Legal Consulting	131	127
Financial Consulting	87	82
Total	1,178	1,056
Average number of full-time billable consultants (for the period)⁽¹⁾:		
Health and Education Consulting	938	861
Legal Consulting	121	137
Financial Consulting	89	82
Total	1,148	1,080
Full-time billable consultant utilization rate⁽²⁾:		
Health and Education Consulting	81.1%	68.1%
Legal Consulting	55.9%	55.2%

Financial Consulting		73.3%	67.8%
Total		78.0%	66.4%
	22		

Table of Contents

	Three Months Ended March 31,	
	2011	2010
Other Operating Data (Continued):		
Full-time billable consultant average billing rate per hour ⁽³⁾:		
Health and Education Consulting	\$ 215	\$ 237
Legal Consulting	\$ 236	\$ 190
Financial Consulting	\$ 327	\$ 296
Total	\$ 224	\$ 238
Revenue per full-time billable consultant (in thousands):		
Health and Education Consulting	\$ 83	\$ 76
Legal Consulting	\$ 53	\$ 46
Financial Consulting	\$ 117	\$ 115
Total	\$ 83	\$ 75
Average number of full-time equivalents (for the period) ⁽⁴⁾:		
Health and Education Consulting	150	141
Legal Consulting	863	727
Financial Consulting	65	124
Total	1,078	992
Revenue per full-time equivalents (in thousands):		
Health and Education Consulting	\$ 87	\$ 84
Legal Consulting	\$ 36	\$ 37
Financial Consulting	\$ 64	\$ 67
Total	\$ 45	\$ 47

- (1) Consists of our full-time professionals who provide consulting services and generate revenues based on the number of hours worked.
- (2) Utilization rate for our full-time billable consultants is calculated by dividing the number of hours all our full-time billable consultants worked on client assignments during a period by the total available working hours for all of these consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.
- (3) Average billing rate per hour for our full-time billable consultants is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period.
- (4) Consists of consultants who work variable schedules as needed by our clients, as well as contract reviewers and other professionals who generate revenues primarily based on number of hours worked and units produced, such as pages reviewed and data processed. Also includes full-time employees who provide software support and maintenance services to our clients.

Non-GAAP Measures

We also assess our results of operations using certain non-GAAP financial measures. These non-GAAP financial measures differ from GAAP because the non-GAAP financial measures we calculate to measure adjusted EBITDA, adjusted net income from continuing operations and adjusted diluted earnings per share exclude a number of items required by GAAP, each discussed below. These non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flows or liquidity prepared in accordance with GAAP. Our non-GAAP financial measures may be defined differently from time to time and may be defined

differently than similar terms used by other companies, and accordingly, care should be exercised in understanding how we define our non-GAAP financial measures.

Our management uses the non-GAAP financial measures to gain an understanding of our comparative operating performance, for example when comparing such results with previous periods or forecasts. These non-GAAP financial measures are used by management in their financial and operating decision-making because management believes they reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons. Management also uses these non-GAAP financial measures when publicly providing our business outlook, for internal management purposes, and as a basis for evaluating potential acquisitions and dispositions. We believe that these non-GAAP financial measures provide useful information to investors and others (a) in understanding and evaluating Huron's current operating performance and future prospects in the same manner as management does, (b) in comparing in a consistent manner

Table of Contents

Huron's current financial results with Huron's past financial results and (c) in understanding the Company's ability to generate cash flows from operations that are available for taxes, capital expenditures, and debt repayment.

The reconciliations of these non-GAAP financial measures from GAAP to non-GAAP are as follows:

	Three months ended March 31,	
	2011	2010
Revenues	\$ 142,985	\$ 127,742
Net income from continuing operations	\$ 3,961	\$ 2,681
Add back:		
Income tax expense	4,209	2,048
Interest and other expenses	3,468	2,709
Depreciation and amortization	5,738	5,513
Earnings before interest, taxes, depreciation and amortization (EBITDA)	17,376	12,951
Add back:		
Restatement related expenses	1,240	759
Restructuring charge	524	
Litigation settlement	588	
Adjusted EBITDA	\$ 19,728	\$ 13,710
Adjusted EBITDA as a percentage of revenues	13.8%	10.7%

	Three months ended March 31,	
	2011	2010
Net income from continuing operations	\$ 3,961	\$ 2,681
Diluted earnings per share from continuing operations	\$ 0.19	\$ 0.13
Add back:		
Amortization of intangible assets	2,276	1,878
Restatement related expenses	1,240	759
Restructuring charge	524	
Litigation settlement	588	
Tax effect	(1,851)	(1,055)
Total adjustments, net of tax	2,777	1,582
Adjusted net income from continuing operations	\$ 6,738	\$ 4,263
Adjusted diluted earnings per share from continuing operations	\$ 0.32	\$ 0.21

These non-GAAP financial measures include adjustments for the following items:

Restatement related expenses: We have incurred significant expenses related to our financial statement restatement. We have excluded the effect of these restatement related expenses from our non-GAAP measures due to

the nonrecurring nature of the event as a means to provide comparability with periods that were not impacted by the restatement related expenses.

Restructuring charges: We have incurred charges due to the restructuring of various parts of our business. These restructuring charges have primarily consisted of severance charges and office space reductions. We have excluded the effect of the restructuring charges from our non-GAAP measures as a means to provide comparability with periods that were not impacted by a restructuring charge. Additionally, the amount of each restructuring charge is significantly affected by the timing and size of the restructured business or component of a business.

Table of Contents

Litigation settlement, net: We have excluded the one-time effects of the litigation settlements in 2011 and 2010 from our non-GAAP measures because they are infrequent events and their exclusion permits comparability with periods that were not impacted by these charges.

Amortization of intangible assets: We have excluded the effect of amortization of intangible assets from the non-GAAP measures presented above. Amortization of intangibles is inconsistent in its amount and frequency and is significantly affected by the timing and size of our acquisitions.

Tax effect: The non-GAAP income tax adjustment reflects the incremental tax rate in which the non-GAAP adjustment occurs.

Income tax expense, Interest and other expenses, Depreciation and Amortization: We have excluded the effects of income tax expense, interest and other expenses and depreciation and amortization in the calculation of EBITDA as these are customary exclusions as defined by the calculation of EBITDA to arrive at a meaningful earnings from core operations excluding the effect of such items.

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010**Revenues**

Revenues increased \$15.2 million, or 11.9%, to \$143.0 million for the first quarter of 2011 from \$127.7 million for the first quarter of 2010.

Of the overall \$15.2 million increase in revenues, \$14.0 million was attributable to our full-time billable consultants and \$1.2 million was attributable to our full-time equivalents. The \$14.0 million increase in full-time billable consultant revenues was primarily attributable to an increase in the demand for our services in our Health and Education Consulting and Financial Consulting segments. Our utilization and revenue per full-time billable consultant increased in the quarter compared to same period in the prior year, while our average billing rate decreased slightly. The \$1.2 million increase in full-time equivalent revenues resulted from increased use of contractors primarily within our Health and Education Consulting and Legal Consulting segments, partially offset by a decrease in demand for our variable, on-demand consultants in our Financial Consulting segment.

Total Direct Costs

Our direct costs increased \$8.2 million, or 9.6%, to \$93.1 million in the three months ended March 31, 2011 from \$84.9 million in the three months ended March 31, 2010. The increase was primarily related to a \$6.0 million increase in salaries, benefit and bonus costs associated with an increase in our revenue generating professionals compared to the same period in the prior year. Additionally, a \$0.9 million increase in technology expenses, a \$0.6 million increase in other nonbillable expenses and a \$0.4 million increase in share-based compensation expense associated with our revenue-generating professionals also contributed to the increase in direct costs. Share-based compensation expense increased \$0.4 million to \$3.7 million in the first quarter of 2011 compared to \$3.3 million in the first quarter of 2010 resulting from the granting of restricted stock awards to key employees during the first quarter of 2011.

Total direct costs for the three months ended March 31, 2011 included \$1.4 million of intangible assets amortization expense, primarily representing customer-related assets and software. This was an increase of \$0.5 million compared to the same period in the prior year.

Operating Expenses

Selling, general and administrative expenses increased \$1.0 million, or 3.4%, to \$30.1 million in the first quarter of 2011 from \$29.1 million in the first quarter of 2010. The increase in selling, general and administrative expense in the first quarter of 2011 compared to the same period in the prior year was primarily related to a \$0.9 million increase in promotions and sponsorships, a \$0.7 million increase in salaries, benefits and bonus expense associated with our non-revenue-generating professionals, a \$0.7 million increase in recruiting, a \$0.2 million increase in training and a \$0.2 million increase in share-based compensation expense associated with our non-revenue-generating professionals. Share-based compensation expense increased \$0.2 million from \$1.3 million in the first quarter of 2010 to \$1.5 million in the first quarter of 2011 primarily due to the granting of restricted stock and option awards to certain key employees. These increases were partially offset by a \$1.9 million decrease in legal fees.

In the first quarter of 2011, we incurred \$0.5 million in restructuring charge expenses related to the exit of excess office space in Chicago. The \$0.5 million charge is primarily comprised of the discounted future cash flows of rent expenses we

Table of Contents

are obligated to pay under the lease agreement, partially offset by future sublease income which we calculated based on certain sublease assumptions.

Expenses incurred in connection with our restatement, discussed above under Restatement of Previously-Issued Financial Statements, totaled \$1.2 million in the first quarter of 2011. In the first quarter of 2011, the restatement related expenses were primarily comprised of legal fees.

Litigation settlement expense was \$0.6 million for the three months ended March 31, 2011. In the fourth quarter of 2010, we entered into a proposed Class Action Settlement and recorded a non-cash charge of \$12.6 million representing the fair value of the Settlement Shares based on the closing market price of our common stock on December 31, 2010. We recorded an additional \$0.6 million non-cash charge related to the Settlement Shares to reflect the fair value of the Settlement Shares as of March 31, 2011, which totaled \$13.2 million, and a corresponding increase to our recorded settlement liability. We will continue to adjust the amount of the non-cash charge to reflect changes in the fair value of the Settlement Shares until and including the date of issuance, which may result in either additional non-cash charges or non-cash gains. See note 13. Commitments, Contingencies and Guarantees for a full description of the litigation matter and related settlement.

Depreciation expense decreased slightly by \$0.1 million, or 2.8%, to \$3.5 million in the three months ended March 31, 2011 from \$3.6 million in the three months ended March 31, 2010. Non-direct intangible assets amortization expense decreased \$0.2 million, or 20.0%, to \$0.8 million for the three months ended March 31, 2011 from \$1.0 million for the comparable period last year. Non-direct intangible assets amortization relates to customer relationships, non-competition agreements and tradenames acquired in connection with our acquisitions.

Operating Income

Operating income increased \$4.2 million, or 56.5%, to \$11.6 million in the first quarter of 2011 from \$7.4 million in the first quarter of 2010. Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 8.1% in the three months ended March 31, 2011 compared to 5.8% in the three months ended March 31, 2010. The increase in operating margin was primarily attributable to decreases in direct costs and selling, general and administrative expenses as a percentage of revenues, partially offset by increases in restructuring charge, litigation settlement expense and restatement related expenses, as discussed above.

Other Expense

Other expense increased \$0.8 million, or 28.0%, to \$3.5 million in the first quarter of 2011 from \$2.7 million in the first quarter of 2010. The \$0.8 million increase was primarily due to a \$0.6 million increase in interest expense resulting from an increase in our level of borrowings combined with an increase in interest rates, coupled with a \$0.1 million decrease in realized exchange rate gains and a \$0.1 million decrease in the market value of our investments that are used to fund our deferred compensation liability. This loss was offset by a decrease in direct costs as our corresponding deferred compensation liability decreased.

Income Tax Expense

For the first quarter of 2011, we recognized income tax expense from continuing operations of \$4.2 million on income from continuing operations of \$8.2 million. For the first quarter of 2010, we recognized income tax expense from continuing operations of \$2.0 million on income from continuing operations of \$4.7 million. Our effective tax rate increased to 51.5% in the first quarter of 2011 from 43.3% in the same period last year. The higher effective income tax rate in 2011 was primarily attributable to increased foreign losses with no tax benefit coupled with higher state taxes.

Net Income from Continuing Operations

Net income from continuing operations was \$4.0 million for the three months ended March 31, 2011 compared to net income from continuing operations of \$2.7 million for the same period last year. The increase in net income from continuing operations was primarily due to the \$15.2million increase in revenues, partially offset by the increases in direct costs, restructuring charge, litigation settlement expense and restatement related expenses discussed above. As a result of the increase in net income from continuing operations, diluted earnings per share from continuing operations for the first quarter of 2011 was \$0.19 compared to diluted earnings per share of \$0.13 for the first quarter of 2010.

Table of Contents**Discontinued Operations**

Since December 31, 2009, we have undertaken several separate initiatives to divest practices within the Financial Consulting segment in order to enable us to devote more of our energy and financial resources to the remaining businesses of the Company where we have a more substantial market presence. On September 30, 2010, we completed a sale of a portion of the D&I practice and wound down the remaining practice operations as of that same date. Additionally, during the third quarter of 2010 we exited the Utilities practice. In December 2009, our Board approved a plan to divest the businesses that included the international operations of our Japan office and the Galt strategy business, which we acquired in April 2006. We exited Galt with the December 31, 2009 sale of the business back to its three original principals. We exited Japan effective June 30, 2010 via a wind down of the business after discussions with a prospective buyer during the second quarter of 2010 ended without a sale of the operations. As a result of these actions, the operating results of D&I, Utilities, Japan, and Galt are reported as discontinued operations. Net income from discontinued operations was \$0.1 million in the first quarter of 2011, compared to a net loss from discontinued operations of \$0.2 million in the first quarter of 2010. See note 5. Discontinued Operations of this Quarterly Report for further information about our discontinued operations.

Segment Results**Health and Education Consulting****Revenues**

Health and Education Consulting segment revenues increased \$14.1 million, or 18.4%, to \$91.0 million for the first quarter of 2011 from \$76.9 million for the first quarter of 2010. Revenues from time-and-expense engagements, fixed-fee engagements, performance-based engagements and software support and maintenance arrangements represented 22.4%, 58.4%, 15.2% and 4.0% of this segment's revenues during the three months ended March 31, 2011, respectively, compared to 23.5%, 55.7%, 17.2% and 3.6%, respectively, for the comparable period in 2010.

Of the overall \$14.1 million increase in revenues, \$12.8 million was attributable to our full-time billable consultants and \$1.3 million was attributable to our full-time equivalents. The increase in revenues reflected an increase in the overall demand for our services. Performance-based revenues recognized in the period upon meeting performance criteria associated with several healthcare engagements represented \$0.6 million of the increase in revenues.

Performance-based fee engagements may cause significant variations in quarterly revenues and operating results due to the timing of achieving the performance-based criteria. The Health and Education Consulting segment experienced an increase in the number of consultants as well as an increase in the utilization rate. The Health and Education Consulting experienced a decrease in the average billing rate per hour due to the shift in revenue from performance-based engagements to fixed-fee engagements in the current period.

Operating Income

Health and Education Consulting segment operating income increased \$5.3 million, or 25.2%, to \$26.4 million in the three months ended March 31, 2011 from \$21.1 million in the three months ended March 31, 2010. The Health and Education Consulting segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, increased to 29.0% for the first quarter of 2011 from 27.4% in the same period last year. The increase in this segment's operating margin was attributable to decreases in general administrative operating expenses as a percentage of revenues.

Legal Consulting**Revenues**

Legal Consulting segment revenues increased \$4.2 million, or 12.7%, to \$37.3 million for the first quarter of 2011 from \$33.1 million for the first quarter of 2010. Revenues from time-and-expense engagements and fixed-fee engagements represented 90.2% and 9.8% of this segment's revenues during the three months ended March 31, 2011, respectively, compared to 92.9% and 7.1%, respectively, for the comparable period in 2010.

Of the overall \$4.2 million increase in revenues, \$4.1 million was attributable to our full-time equivalents and \$0.1 million was attributable to our full-time billable consultants. The increase in revenues reflected an increase in demand, primarily for our document review services. In the first quarter of 2011, the average billing rate, the utilization rate, and revenue per billable consultant increased for this segment compared to the same period in the prior year.

Table of Contents**Operating Income**

Legal Consulting segment operating income increased \$2.2 million, or 29.3%, to \$9.6 million in the three months ended March 31, 2011 from \$7.4 million in the three months ended March 31, 2010. Segment operating margin increased to 25.7% for the first quarter of 2011 from 22.4% in the same period last year. The increase in this segment's operating margin was attributable to lower total compensation cost and general administrative operating expenses as a percentage of revenues, partially offset by increased promotion and marketing increases as a percentage of revenues.

Financial Consulting**Revenues**

Financial Consulting segment revenues decreased \$3.1 million, or 17.4%, to \$14.6 million for the first quarter of 2011 from \$17.7 million for the first quarter of 2010. Revenues from time-and-expense engagements, fixed-fee engagements, and performance-based arrangements represented 78.7%, 21.0% and 0.3% of this segment's revenues during the first quarter of 2011, respectively. For the first quarter of 2010, time-and-expense engagements, fixed-fee engagements, and performance-based engagements represented 98.2%, 1.7%, and 0.1%, respectively.

Of the overall \$3.1 million decrease in revenues, \$4.1 million was attributable to our full-time equivalents, which was partially offset by a \$1.0 million increase attributable to our full-time billable consultants. The \$4.1 million decrease in full-time equivalent revenues was primarily due to a decrease in demand for our variable, on-demand consultants. The \$1.0 million increase in full-time equivalent revenues resulted from an increase in demand for our consulting services.

Operating Income

Financial Consulting segment operating income decreased \$1.1 million, or 25.3%, to \$3.4 million in the three months ended March 31, 2011 compared to \$4.5 million in the three months ended March 31, 2010. Segment operating margin decreased to 23.1% for the first quarter of 2011 from 25.5% in the same period last year. The decrease in this segment's operating margin was attributable to increases in total compensation costs attributable to the segments revenue generating professionals, as well as increases in support salaries, general administrative operating expenses and promotion and marketing costs as a percentage of revenue.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased \$1.9 million, from \$6.3 million at December 31, 2010 to \$4.4 million at March 31, 2011. Cash and cash equivalents included \$0.1 million of cash related to discontinued operations as of December 31, 2010. Our primary sources of liquidity are cash flows from operations and debt capacity available under our credit facility.

Cash flows used in operating activities totaled \$3.4 million for the three months ended March 31, 2011, compared to cash used in operating activities of \$24.6 million for the same period last year. Our operating assets and liabilities consist primarily of receivables from billed and unbilled services, accounts payable and accrued expenses, and accrued payroll and related benefits. The volume of services rendered and the related billings and timing of collections on those billings, as well as payments of our accounts payable affect these account balances. The decrease in cash used in operations in the first three months of 2011 compared to the first three months of 2010 was primarily attributable to the decrease in the amount paid for the 2010 performance bonuses during the first quarter of 2011 as compared to the same period in the prior year, coupled with the receipt of a federal income tax refund. These items were partially offset by a decrease in accounts payable, primarily related to the timing of when payments were made. Cash used in investing activities was \$26.4 million for the three months ended March 31, 2011 and \$60.3 million for the same period in the prior year. The use of cash in both periods primarily consisted of payments for acquired businesses totaling \$22.9 million and \$63.3 million in the first three months of 2011 and 2010, respectively. These payments for acquired businesses were primarily comprised of additional purchase consideration earned by the selling shareholders of businesses that we acquired. The use of cash in the first three months of 2011 and 2010 also included purchases of property and equipment needed to meet the ongoing needs relating to the hiring of additional employees and the expansion of office space. We estimate that the cash utilized for capital expenditures in 2011 will be approximately \$15.0 million, primarily for information technology related equipment and software and leasehold improvements. We also expect to continue to invest in capital expenditures related to our document review and processing business information technology related equipment and software.

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As of March 31, 2011, the Company's Credit Agreement consisted of a \$180.0 million revolving credit facility (Revolver) and a \$220.0 million term loan facility (Term Loan). As discussed under note 8. Borrowings , the
28

Table of Contents

obligations under the Credit Agreement are secured pursuant to a Security Agreement and 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.

The borrowing capacity under the Credit Agreement is reduced by any outstanding letters of credit and payments under the Term Loan. At March 31, 2011, outstanding letters of credit totaled \$6.4 million and are primarily used as security deposits for our office facilities. As of March 31, 2011, the borrowing capacity under the Credit Agreement was \$46.6 million.

Fees and interest on borrowings vary based on our total debt to EBITDA ratio as set forth in the Credit Agreement, as amended. Interest is based on a spread, ranging from 2.25% to 3.25% over LIBOR or a spread, ranging from 1.25% to 2.25% 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 letters of credit fee ranges from 2.25% to 3.25%, while the non-use fee is a flat 0.5%.

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 need to be approved by the lenders.

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.

On April 14, 2011, we refinanced our existing Credit Agreement and entered into a new \$350 million five-year senior secured credit facility. See **Subsequent Events** below for a description of the new credit agreement. The Amended and Restated Credit Agreement dated as of April 14, 2011 contains quarterly financial covenants that require us to maintain a minimum fixed charge coverage ratio of 2.25 to 1.00 and a maximum leverage ratio of 3.00:1.00 with step-downs in subsequent periods, as those ratios are defined therein, as well as a minimum net worth greater than \$150 million. At March 31, 2011, we were in compliance with these financial covenants with a fixed charge coverage ratio of 2.76 to 1.00, a leverage ratio of 2.41 to 1.00, and net worth greater than \$150 million. In addition, based upon projected operating results, management believes it is probable that we will meet the financial debt covenants of the Credit Agreement discussed above at future covenant measurement dates.

During the first three months of 2011, we made borrowings to pay bonuses and additional purchase consideration earned by selling shareholders of businesses that we acquired. We also made borrowings to fund our daily operations, including costs related to the restatement matters. During the first three months of 2011, the average daily outstanding balance under our credit facility was \$256.6 million. Borrowings outstanding under this credit facility at March 31, 2011 totaled \$286.5 million, all of which are classified as long-term on our consolidated balance sheet. As we refinanced the existing credit facility on April 14, 2011, these borrowings remain classified as long-term on our consolidated balance sheet as of March 31, 2011. These borrowings carried a weighted-average interest rate of 3.9% including the effect of the interest rate swap described below in **Item 3. Quantitative and Qualitative Disclosures About Market Risk**. Borrowings outstanding at December 31, 2010 totaled \$257.0 million and carried a weighted average interest rate of 4.5% including the effect of the interest rate swap.

See **Risk Factors** in our 2010 Annual Report on Form 10-K for a discussion of certain risks and uncertainties related to the Credit Agreement.

Future Needs

Our primary financing need has been to fund our growth. Our growth strategy is to expand our service offerings, which may require investments in new hires, acquisitions of complementary businesses, possible expansion into other geographic areas, and related capital expenditures. In connection with our past business acquisitions, we are required under earn-out provisions to pay additional purchase consideration to the sellers if specific financial performance targets are met. We also have cash needs to service our credit facility and repay our term loan. Further, we have other cash commitments as presented below in contractual obligations. Because we expect that our future annual growth rate in revenues and related percentage increases in working capital balances will moderate, we believe our internally

generated liquidity, together with the borrowing capacity available under our revolving credit facility and access to external capital resources, will be adequate to fund our long-term growth and capital needs arising from earn-out provisions, cash commitments and debt service obligations. Our ability to secure short-term and long-term financing in the future will depend on several factors,

Table of Contents

including our future profitability, the quality of our accounts receivable and unbilled services, our relative levels of debt and equity, and the overall condition of the credit markets.

CONTRACTUAL OBLIGATIONS

For a summary of our commitments to make future payments under contractual obligations, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no significant changes in our contractual obligations since December 31, 2010 except as described below:

During the first three months of 2011, we paid additional purchase consideration to selling shareholders of businesses that we acquired as financial performance targets were met in 2010. The aggregate purchase consideration paid totaled \$22.2 million.

During the first three months of 2011, our long-term borrowings increased from \$257.0 million as of December 31, 2010 to \$286.5 million as of March 31, 2011.

On April 14, 2011, we entered into a new \$350 million five-year senior secured credit facility consisting of a \$200 million term loan and a \$150 million revolving line of credit. See Subsequent Events below for further discussion of the credit facility.

OFF BALANCE SHEET ARRANGEMENTS

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

NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, the Financial Accounting Standards Board (FASB) issued additional authoritative guidance related to fair value measurements and disclosures. The guidance requires disclosure of details of significant transfers in and out of Level 1 and Level 2 fair value measurements. The guidance also clarifies the existing disclosure requirements for the level of disaggregation of fair value measurements and the disclosures on inputs and valuation techniques. The company adopted these provisions effective January 1, 2010. The adoption did not have a significant impact on our consolidated financial statements. In addition, the guidance also requires the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. We adopted this additional guidance pertaining to Level 3 fair value measurements effective January 1, 2011. The adoption of this guidance did not have any impact on our financial statements as it contains only disclosure requirements.

In October 2009, the FASB issued new guidance regarding revenue arrangements with multiple deliverables. This new guidance requires companies to allocate revenue in arrangements involving multiple deliverables based on the estimated selling price of each deliverable, even though such deliverables are not sold separately either by the company or by other vendors. This new guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We adopted this pronouncement effective January 1, 2011. The adoption of this pronouncement did not have a significant impact on our financial statements.

SUBSEQUENT EVENTS

On April 14, 2011 (Closing Date), Huron Consulting Group Inc. (the Company) and certain of the Company's subsidiaries as guarantors entered into an Amended and Restated Credit Agreement, dated as of April 14, 2011, (the Agreement) with the various financial institutions party thereto, which include, Bank of America, N.A., as lender, administrative agent and collateral agent for the lenders; JPMorgan Chase Bank, N.A., as lender and syndication agent; PNC Bank, National Association, Harris N.A. and KeyBank National Association as lenders and Co-Documentation Agents; Fifth Third Bank, The Northern Trust Company, RBS Citizens, N.A., The PrivateBank and Trust Company, FirstMerit Bank, N.A., and Northbrook Bank & Trust Company as lenders (collectively the Lenders); and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as joint lead arrangers and joint book managers. The Agreement replaces the Credit Agreement, dated as of June 7, 2006, and all subsequent amendments thereto, by and among the Company and the lenders therein.

Under the Agreement, the Lenders have agreed to make available to the Company a senior secured credit facility in an aggregate principal amount of \$350 million comprised of the following: a five-year revolving credit facility under which the Company may borrow from time to time up to \$150 million and a \$200 million five-year term loan facility

which was funded in a single advance on the closing date. The revolving credit facility is reduced by any letters of credit outstanding. The Agreement provides for the option to increase the revolving credit facility in an aggregate amount of up to \$50 million

Table of Contents

subject to certain requirements as defined in the Agreement. The proceeds of the senior secured credit facility are to be used (i) to refinance existing indebtedness, and (ii) for working capital, capital expenditures, and other lawful corporate purposes.

Fees and interest on borrowings vary based on the Company's total debt to earnings before interest, taxes, depreciation and amortization ratio as set forth in the Agreement and will be based on a spread over LIBOR or a spread over the base rate, as selected by the Company. The base rate is the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate and (c) except during a Eurodollar Unavailability Period, the Eurodollar Rate plus 1.0%.

The commitment under the revolving credit facility will terminate five years from the Closing Date, at which time the outstanding principal balance and all accrued interest and fees will be due and payable in full. The term loan is subject to scheduled quarterly amortization payments equal to 7.5% of the original principal balance in year one, 10.0% in year two, 12.5% in years three and four, and 57.5% in year five, as set forth in the Agreement. The maturity date for the term Loan is April 14, 2016, at which time the outstanding principal balance and all accrued interest will be due and payable in full. The maturity date of any borrowings is automatically accelerated upon the bankruptcy or insolvency of the Company or any of its subsidiaries and may be accelerated by the Lenders upon the default in the payment of any principal, interest or fees on the borrowings, the default in the payment of amounts in any other agreements in excess of \$15 million, the failure by the Company to comply with or perform certain specified covenants or agreements in the Agreement, any representation or warranty in the Agreement and specified other documents is breached or is false or misleading, or a change in control of the Company.

The Agreement also includes financial covenants that require the Company to maintain certain leverage ratio, fixed charge coverage ratio and net worth levels. In addition, certain acquisitions and similar transactions will need to be approved by the Lenders.

On April 14, 2011, the Company also entered into an Amended and Restated Security Agreement (the "Security Agreement") and an Amended and Restated Pledge Agreement (the "Pledge Agreement") with Bank of America, N.A. as collateral agent for the holders of the secured obligations. The Security Agreement is required by the terms of the Agreement in order to secure the obligations thereunder, and grants Bank of America, for the benefit of the Lenders under the Agreement, a first-priority lien, subject to permitted liens, on substantially all of the personal property assets of the Company and the subsidiary grantors. The Pledge Agreement is also required by the terms of the Agreement in order to secure the obligations thereunder, and grants Bank of America, for the benefit of the Lenders under the Agreement, a first-priority lien, subject to permitted liens, on 100% of the issued and outstanding equity interests of the Company and each of its domestic subsidiaries and 65% of the issued and outstanding equity interests of certain foreign subsidiaries.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Our exposure to changes in interest rates is limited to borrowings under our bank credit facility, which has variable interest rates tied to the LIBOR, Federal Funds Rate or Prime Rate. At March 31, 2011, we had borrowings outstanding totaling \$286.5 million that carried a weighted-average interest rate of 3.4%. A hypothetical one percent change in this interest rate would have a \$2.8 million effect on our pre-tax income.

On March 20, 2009, we entered into an interest rate swap agreement for a notional amount of \$100.0 million effective on March 31, 2009 and ending on February 23, 2012. We entered into this interest rate swap to hedge against the risk of changes in future cash flows related to changes in interest rate on \$100.0 million of the total variable-rate borrowings outstanding under our credit facility. Under the terms of the agreement, we 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 fixed our LIBOR-based rate for \$100.0 million of our debt beginning on March 31, 2009 and through February 23, 2012. Including the impact of the swap, the effective interest rate on \$100.0 million of our debt was 3.9% as of March 31, 2011.

We have not entered into any other interest rate swaps, caps or collars or other hedging instruments as of March 31, 2011.

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

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of March 31, 2011. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2011, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Changes in Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In August, 2009, the SEC commenced an investigation with respect to the restatement and an investigation into the allocation of time within a certain practice group. We also conducted a separate inquiry, in response to the initial inquiry from the SEC, into the allocation of time within a certain practice group. This matter had no impact on billings to our clients, but could have impacted the timing of when revenue was recognized. Based on our internal inquiry, which is complete, we have concluded that an adjustment to our historical financial statements is not required with respect to this matter. The SEC investigations with respect to the restatement and the allocation of time within a certain practice group are ongoing. 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 were 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 complaint 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 3, 2009. On October 6, 2009, Plaintiff Thomas Fisher voluntarily dismissed his complaint. On November 16, 2009, the remaining suits were consolidated and the Public School Teachers Pension & Retirement Fund of Chicago, the Arkansas Public Employees Retirement System, the City of Boston Retirement Board, the Cambridge Retirement System and the Bristol County Retirement System were appointed Lead Plaintiffs. Lead Plaintiffs filed a consolidated complaint on January 29, 2010. The consolidated complaint asserts claims under Section 10(b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder against Huron Consulting Group, Inc., Gary Holdren and Gary Burge and claims under Section 20(a) of the Exchange Act against Gary Holdren, Gary Burge and Wayne Lipski. The consolidated complaint contends that the Company and the individual defendants issued false and misleading statements regarding the Company's financial results and compliance with GAAP. Lead Plaintiffs request that the action be declared a class action, and seek unspecified damages, equitable and injunctive relief, and reimbursement for fees and expenses incurred in connection with the action, including attorneys' fees. On March 30, 2010, Huron, Gary

Burge, Gary Holdren and Wayne Lipski jointly filed a motion to dismiss the consolidated complaint. On August 6, 2010, the Court denied the motion to dismiss. On December 6, 2010, we reached an agreement in principle with Lead Plaintiffs to settle the litigation (the Class Action Settlement), pursuant to which the plaintiffs will receive total consideration of approximately \$39.6 million, comprised of \$27.0 million in cash and the issuance by the Company of 474,547 shares of our common stock (the Settlement Shares). The Settlement Shares had an aggregate value of approximately \$12.6 million based on the closing market price of our common stock on December 31, 2010. As a result of the Class Action Settlement, we recorded a non-cash charge to earnings in the fourth quarter of 2010 of \$12.6 million

Table of Contents

representing the fair value of the Settlement Shares and a corresponding settlement liability. During the first quarter of 2011, we recorded an additional \$0.6 million non-cash charge related to the Settlement Shares to reflect the fair value of the Settlement Shares as of March 31, 2011, which totaled \$13.2 million, and a corresponding increase to our recorded settlement liability. We will continue to adjust the amount of the non-cash charge and corresponding settlement liability to reflect changes in the fair value of the Settlement Shares until and including the date of issuance, which may result in either additional non-cash charges or non-cash gains. In accordance with the proposed settlement, in the fourth quarter of 2010 we also recorded a receivable for the cash portion of the consideration, which was funded into escrow in its entirety by our insurance carriers in the first quarter of 2011, and a corresponding settlement liability. There was no impact to our Consolidated Statement of Operations for the cash consideration as we concluded that a right of setoff existed in accordance with Accounting Standards Codification Topic 210-20-45, *Other Presentation Matters*. The total amount of insurance coverage under the related policy was \$35.0 million and the insurers had previously paid out approximately \$8.0 million in claims prior to the final \$27.0 million payment discussed above. As a result of the final payment by the insurance carriers, we will not receive any further contributions from our insurance carriers for the reimbursement of legal fees expended on the finalization of the Class Action Settlement or any amounts (including any damages, settlement costs or legal fees) with respect to the SEC investigation with respect to the restatement, the USAO's request for certain documents and the purported private shareholder class action lawsuit and derivative lawsuits in respect of the restatement (collectively, the *restatement matters*). The proposed Class Action Settlement received preliminary court approval on January 21, 2011 and is subject to final court approval and the issuance of the Settlement Shares. A Fairness Hearing is currently scheduled to consider final approval of the settlement on May 6, 2011. The issuance of the Settlement Shares is expected to occur after final court approval is granted. There can be no assurance that final court approval will be granted. The proposed settlement contains no admission of wrongdoing. Additionally, the Company has the right to terminate the settlement if class members representing more than a specified amount of alleged securities losses elect to opt out of the settlement.

The Company also has 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*). The consolidated cases are captioned *In Re Huron Consulting Group, Inc. Shareholder Derivative Litigation*. On March 8, 2010, plaintiffs filed a consolidated complaint. The consolidated complaint asserts claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. The consolidated complaint also alleges claims for professional negligence and breach of contract against PricewaterhouseCoopers LLP, the Company's independent auditors. Plaintiffs seek to recoup for the Company 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. Huron filed a motion to dismiss plaintiffs' consolidated complaint on April 22, 2010. On October 25, 2010, the Court granted Huron's motion to dismiss and dismissed plaintiffs' consolidated complaint with prejudice. On November 19, 2010, plaintiffs filed a notice of appeal of the dismissal to the Appellate Court of Illinois.

The Company has also been named as a nominal defendant in three Federal derivative suits filed in connection with the Company's restatement, since consolidated in the United States District Court for the Northern District of Illinois on November 23, 2009: (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). Oakland County Employees Retirement System, Philip R. Wilmore and Lawrence J. Goelz have been named Lead Plaintiffs. Lead Plaintiffs filed a consolidated complaint on January 15, 2010. The consolidated complaint asserts claims under Section 14(a) of the Exchange Act and for breach of fiduciary duty, waste of corporate assets and unjust enrichment. Lead Plaintiffs seek to recoup for the Company 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. On April 7, 2010, the Court denied Huron s motion to stay the Federal derivative suits. On April 8, 2010, Huron filed a motion to stay discovery proceedings in the derivative suits, pursuant to the Private Securities

Table of Contents

Litigation Reform Act, pending the resolution of Huron's motion to dismiss plaintiffs' consolidated complaint. The Court granted Huron's motion to stay discovery proceedings in the derivative suits on April 12, 2010. Huron filed a motion to dismiss plaintiffs' consolidated complaint on April 27, 2010. Huron's motion to dismiss was granted, judgment entered and the case closed on September 7, 2010. On October 5, 2010, plaintiffs moved for relief from judgment and for leave to file a first amended complaint. The Court granted plaintiffs' motion on October 12, 2010, and plaintiffs filed their amended complaint that same day. Defendants moved to dismiss plaintiffs' amended complaint on November 5, 2010. On March 22, 2011, the Court granted defendants' motion to dismiss and dismissed plaintiffs' amended complaint with prejudice.

Given the uncertain nature of 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.

On December 9, 2009, plaintiff, Associates Against Outlier Fraud, filed a First Amended *qui tam* complaint against Huron Consulting Group, Inc., and others under the federal and New York state False Claims Act (FCA) in the United States District Court for the Southern District of New York. The federal and state FCA authorize private individuals (known as relators) to sue on behalf of the government (known as *qui tam* actions) alleging that false or fraudulent claims were knowingly submitted to the government. Once a *qui tam* action is filed, the government may elect to intervene in the action. If the government declines to intervene, the relator may proceed with the action. Under the federal and state FCA, the government may recover treble damages and civil penalties (civil penalties of up to \$11,000 per violation under the federal FCA and \$12,000 per violation under the state FCA). On January 6, 2010, the United States declined to intervene in the lawsuit. On February 2, 2010, Huron filed a motion to dismiss the relator's federal and state claims. On August 25, 2010, the Court granted Huron's motion to dismiss without prejudice. On September 29, 2010, relator filed a Second Amended Complaint alleging that Huron and others caused St. Vincent Catholic Medical Center to receive more than \$30 million in inflated outlier payments under the Medicare and Medicaid programs in violation of the federal and state FCA and also seeks to recover an unspecified amount of civil penalties. On October 19, 2010 Huron filed a motion to dismiss the Second Amended Complaint, which the Court denied on January 3, 2011. The suit is in the pre-trial stage and no trial date has been set. We believe that the claims are without merit and intend to vigorously defend ourselves in this matter.

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 current 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.

Table of Contents**ITEM 1A. RISK FACTORS**

See Risk Factors in our 2010 annual report on Form 10-K for a complete description of the material risks we face.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Our 2004 Omnibus Stock Plan permits the netting of common stock upon vesting of restricted stock awards to satisfy individual tax withholding requirements. During the quarter ended March 31, 2011, we re-acquired 87,555 shares of common stock with a weighted-average fair market value of \$27.88 as a result of such tax withholdings as presented in the table below.

Period	Total Number of Shares Redeemed to Satisfy Employee Tax Withholding Requirements	Weighted- Average Fair Market Value Per Share Redeemed	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 2011	8,559	\$ 26.64	N/A	N/A
February 2011	8,378	\$ 29.67	N/A	N/A
March 2011	70,618	\$ 27.81	N/A	N/A
Total	87,555	\$ 27.88	N/A	N/A

N/A Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.

[Removed and Reserved]

ITEM 5. OTHER INFORMATION

None.

Table of Contents**ITEM 6. EXHIBITS**

(a) The following exhibits are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Exhibit Description	Filed here-with	Incorporated by Reference		Filing Date
			Form	Period Ending	
3.1	Third Amended and Restated Certificate of Incorporation of Huron Consulting Group Inc.		10-K	12/31/04	3.1 2/16/05
3.2	Amended and Restated Bylaws of Huron Consulting Group Inc.		8-K		3.1 04/14/11
4.1	Specimen Stock Certificate.		S-1 (File No. 333-115434)		4.1 10/5/04
10.1	Senior Management Agreement by and between Huron Consulting Group, Inc. and Diane E. Ratekin.		8-K		10.1 3/22/11
10.2	Amended and Restated Credit Agreement Dated as of April 14, 2011, among Huron Consulting Group Inc., as the Company, certain subsidiaries as Guarantors, the Lenders Party Hereto and Bank of America, N.A., as Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., as Syndication Agent, PNC Bank, Harris Bank and Key Bank National Association as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Book Managers.		8-K		10.1 4/19/11
10.3	Amended and Restated Security Agreement, dated as of April 14, 2011.		8-K		10.2 4/19/11
10.4			8-K		10.3 4/19/11

Amended and Restated
Pledge Agreement, dated as
of April 14, 2011.

10.5	Executive Officers Compensation	X
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS*	XBRL Instance Document	X
101.SCH*	XBRL Taxonomy Extension Schema Document	X
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document	X
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document	X

101.DEF* XBRL Taxonomy Extension X
 Definition Linkbase
 Document

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Huron Consulting Group Inc.
(Registrant)

Date: April 26, 2011

/s/ James K. Rojas
James K. Rojas
Executive Vice President, Chief Operating
Officer, Chief Financial Officer and
Treasurer

37