Huron Consulting Group Inc.
Form 10-Q
November 04, 2010

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

FORM 10 Q

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

Commission file number: 000-50976

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

(Do not check if a smaller reporting company)

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

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

As of October 19, 2010, 21,892,913 shares of the registrant s common stock, par value $0.01 per share, were outstanding.

Huron Consulting Group Inc.

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

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 6,280	$ 5,715
Receivables from clients, net	76,243	73,760
Unbilled services, net	50,242	32,530
Income tax receivable	8,746	18,911
Deferred income taxes	13,156	16,338
Prepaid expenses and other current assets	14,929	19,078
Current assets of discontinued operations	12,451	26,451
Total current assets	182,047	192,783
Property and equipment, net	32,415	39,133
Deferred income taxes	19,813	21,298
Other non-current assets	13,463	14,134
Intangible assets, net	16,759	22,406
Goodwill	468,287	464,169
Non-current assets of discontinued operations		292
Total assets	$ 732,784	$ 754,215
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 8,754	$ 7,150
Accrued expenses	28,548	29,185
Accrued payroll and related benefits	38,147	69,758
Accrued consideration for business acquisitions, current portion	2,000	63,188
Income tax payable	272	874
Deferred revenues	15,625	13,155
Current portion of capital lease obligations	68	278
Current liabilities of discontinued operations	3,906	9,405
Total current liabilities	97,320	192,993
Non-current liabilities:		
Deferred compensation and other liabilities	6,932	6,131
Accrued consideration for business acquisitions, net of current portion	2,000	
Capital lease obligations, net of current portion		5
Bank borrowings	269,500	219,000
Deferred lease incentives	7,704	8,681
Non-current liabilities of discontinued operations		416

Total non-current liabilities		286,136		234,233
Stockholders equity				
Common stock; $0.01 par value; 500,000,000 shares authorized; 23,190,037 and 22,624,515 shares issued at September 30, 2010 and December 31, 2009, respectively		220		213
Treasury stock, at cost, 1,266,347 and 995,409 shares at September 30, 2010 and December 31, 2009, respectively		(62,144)		(51,561)
Additional paid-in capital		356,459		335,272
Retained earnings		56,197		43,858
Accumulated other comprehensive loss		(1,404)		(793)
Total stockholders equity		349,328		326,989
Total liabilities and stockholders equity	$	732,784	$	754,215

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	**2009**	**2010**	**2009**
Revenues and reimbursable expenses:				
Revenues	$ 145,442	$ 149,013	$ 408,838	$ 417,574
Reimbursable expenses	12,860	12,731	36,849	36,892
Total revenues and reimbursable expenses	158,302	161,744	445,687	454,466
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):				
Direct costs	87,250	91,012	255,194	257,667
Intangible assets amortization	886	961	2,659	3,734
Reimbursable expenses	12,920	12,718	36,915	36,896
Total direct costs and reimbursable expenses	101,056	104,691	294,768	298,297
Operating expenses:				
Selling, general and administrative	26,658	27,202	84,750	88,943
Restructuring charges	295	1,942	1,460	1,942
Restatement related expenses	1,056	13,042	4,243	13,427
Litigation settlement			4,764	
Depreciation and amortization	4,608	5,484	14,074	16,673
Impairment charge on goodwill		67,034		67,034
Other gain				2,687
Operating income (loss)	24,629	(57,651)	41,628	(29,163)
Other income (expense):				
Interest expense, net of interest income	(4,040)	(3,256)	(10,548)	(9,010)
Other income	261	1,020	43	1,190
Total other expense	(3,779)	(2,236)	(10,505)	(7,820)
Income (loss) from continuing operations before income tax expense	20,850	(59,887)	31,123	(36,983)
Income tax expense (benefit)	9,797	(18,541)	13,875	(6,965)
Net income (loss) from continuing operations	11,053	(41,346)	17,248	(30,018)
Loss from discontinued operations (including gain on disposal of $1.2 million for the three and nine months ended September 30, 2010), net of tax	(3,603)	(22,648)	(4,909)	(17,254)
Net income (loss)	$ 7,450	$ (63,994)	$ 12,339	$ (47,272)

Net earnings (loss) per basic share:				
Income (loss) from continuing operations	$ 0.54	$ (2.04)	$ 0.84	$ (1.50)
Loss from discontinued operations, net of tax	$ (0.18)	$ (1.12)	$ (0.24)	$ (0.86)
Net income (loss)	$ 0.36	$ (3.16)	$ 0.60	$ (2.36)
Net earnings (loss) per diluted share:				
Income (loss) from continuing operations	$ 0.53	$ (2.04)	$ 0.83	$ (1.50)
Loss from discontinued operations, net of tax	$ (0.17)	$ (1.12)	$ (0.23)	$ (0.86)
Net income (loss)	$ 0.36	$ (3.16)	$ 0.60	$ (2.36)
Weighted average shares used in calculating earnings (loss) per share:				
Basic	20,619	20,239	20,484	20,061
Diluted	20,849	20,239	20,702	20,061

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

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

	Common Stock						
	Shares	Amount	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders Equity
Balance at December 31, 2009	21,330,311	$ 213	$ (51,561)	$ 335,272	$ 43,858	$ (793)	$ 326,989
Comprehensive income:							
Net income					12,339		12,339
Foreign currency translation adjustment, net of tax						38	38
Unrealized loss on cash flow hedging instrument, net of tax						(649)	(649)
Total comprehensive income							11,728
Issuance of common stock in connection with:							
Restricted stock awards, net of cancellations	604,761	6	(9,204)	9,198			
Exercise of stock options	45,221	1		39			40
Share-based compensation				15,904			15,904
Shares redeemed for employee tax withholdings			(1,379)				(1,379)
Income tax expense on share- based compensation				(3,954)			(3,954)
Balance at September, 30, 2010	21,980,293	$ 220	$ (62,144)	$ 356,459	$ 56,197	$ (1,404)	$ 349,328

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

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

	Nine months ended September 30,	
	2010	**2009**
Cash flows from operating activities:		
Net income (loss)	$ 12,339	$ (47,272)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,840	21,038
Share-based compensation	16,681	16,574
Non-cash compensation		8,333
Allowances for doubtful accounts and unbilled services	4,408	3,527
Deferred income taxes	2,704	(44,883)
Loss on disposal of property and equipment	198	
Gain on sale of business	(1,232)	
Impairment charge on goodwill		106,000
Other gain		(2,686)
Changes in operating assets and liabilities, net of businesses acquired:		
Decrease (increase) in receivables from clients	4,273	(21,620)
Increase in unbilled services	(16,968)	(24,167)
Decrease in current income tax receivable / payable, net	8,778	5,306
Decrease in other assets	20	308
(Decrease) increase in accounts payable and accrued liabilities	(1,717)	16,246
(Decrease) increase in accrued payroll and related benefits	(37,412)	14,943
Increase (decrease) in deferred revenues	2,000	(3,879)
Net cash provided by operating activities	10,912	47,768
Cash flows from investing activities:		
Purchases of property and equipment, net	(4,691)	(10,971)
Net surrender of (investment in) life insurance policies	540	(1,424)
Purchases of businesses	(65,230)	(48,370)
Sales of businesses	7,942	
Net cash used in investing activities	(61,439)	(60,765)
Cash flows from financing activities:		
Proceeds from exercise of stock options	40	160
Shares redeemed for employee tax withholdings	(1,379)	(3,163)
Tax benefit from share-based compensation	720	7,813
Proceeds from borrowings under credit facility	297,500	202,000
Repayments on credit facility	(247,000)	(180,500)
Payments of capital lease obligations	(215)	(283)

Net cash provided by financing activities	49,666	26,027
Effect of exchange rate changes on cash	1,147	(405)
Net increase in cash and cash equivalents	286	12,625
Cash and cash equivalents at beginning of the period	6,459	14,106
Cash and cash equivalents at end of the period [1]	$ 6,745	$ 26,731

(1) Cash and cash equivalents presented herein includes $0.5 million and $0.8 million of cash and cash equivalents classified as discontinued operations as of September 30, 2010 and 2009, respectively.

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

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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, resolve disputes, recover from distress, leverage technology, and stimulate growth. We team with our clients to deliver sustainable and measurable results. Our clients include a wide variety of both financially sound and distressed organizations, including leading academic institutions, healthcare organizations, Fortune 500 companies, medium-sized businesses, and the law firms that represent these various organizations.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements reflect the results of operations and cash flows for the three and nine months ended September 30, 2010 and 2009. 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 Unites 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, 2009.

Certain amounts reported in the previous year have been reclassified to conform to the 2010 presentation. Our results for any interim period are not necessarily indicative of results for a full year or any other interim period.

3. Restatement of Previously-Issued Financial Statements

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

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

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

The restatement 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 Company amended its agreements with the selling shareholders of the two Acquired Businesses for which the Company had ongoing obligations to make future earn-out payments. The amendments provided that future earn-outs would be distributed only to the applicable selling shareholders and only in accordance with their equity interests on the date we acquired the related Acquired Business with no required continuing employment and that no further Shareholder Payments or Employee Payments would be made. Accordingly, all earn-out payments related to such

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

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.

As a result of the correction of the accounting errors, which were not tax deductible, our interim quarterly provision for income taxes decreased in certain periods and increased in others, with a corresponding change in income tax receivable or payable. There was no change to our provision for income taxes or our tax accounts on an annual basis.

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. As often happens in these circumstances, the United States Attorney s Office (USAO) for the Northern District of Illinois has contacted our counsel. The USAO made a telephonic request for copies of certain documents that we previously provided to the SEC, which we have voluntarily provided to the USAO.

In addition, several purported shareholder class action complaints, since consolidated, and derivative lawsuits have been filed in connection with the restatement. See note 14. 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.

For the three and nine months ended September 30, 2010, expenses incurred in connection with the restatement totaled $1.1 million and $4.2 million, respectively, and were primarily comprised of legal fees. For the three and nine months ended September 30, 2009, expenses incurred in connection with the restatement totaled $13.0 million and $13.4 million, respectively, and were primarily comprised of legal and accounting fees, as well as the settlement costs of an indemnification claim arising in connection with a representation and warranty in a purchase agreement for a previous acquisition.

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 will also require the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. This additional guidance pertaining to Level 3 fair value measurements is effective for fiscal years beginning after December 15, 2010, and for interim reporting periods within those fiscal years. The guidance will be effective for us beginning on January 1, 2011. We do not expect the application of this guidance to have a significant impact on our financial statements.

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. This pronouncement will be effective for us beginning on January 1, 2011. We are currently evaluating the impact that the adoption of this pronouncement may have on our future financial position, results of operations, earnings per share, and cash flows.

In June 2009, the FASB issued authoritative guidance to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This guidance requires an enterprise to perform an ongoing analysis to determine whether the enterprise has a controlling financial interest in a variable interest entity. We adopted this pronouncement effective January 1, 2010. The adoption of this pronouncement did not have any impact on our financial statements.

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

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. No gain or loss was recorded for the disposal of the Utilities practice or the Japan operations.

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 and unless otherwise noted, all amounts discussed within this Item I. Consolidated Financial Statements refer to amounts from 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 September 30, 2010 and December 31, 2009 aggregates amounts associated with the discontinued operations as described above.

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	**2009**	**2010**	**2009**
Revenues	$ 4,089	$ 23,214	$26,470	$ 83,510
Loss from discontinued operations before income tax expense (1)(2)(3)	$(3,813)	$(36,435)	$ (6,831)	$(25,118)
Net loss from discontinued operations	$(3,603)	$(22,648)	$ (4,909)	$(17,254)

The carrying amounts of the major classes of assets and liabilities aggregated in discontinued operations in the consolidated balance sheet as of September 30, 2010 and December 31, 2009 are presented in the following table (amounts in thousands).

	September 30, 2010	December 31, 2009
Assets		
Cash	$ 465	$ 744
Receivables from clients, net(4)	10,657	22,524
Other current assets	1,329	3,183
Total current assets	12,451	26,451
Other non-current assets		292
Total assets	$ 12,451	$ 26,743

Liabilities		
Accrued payroll and related benefits	$ 2,089	$ 7,228
Income tax payable		792
Accounts payable, accrued expenses and other liabilities	1,817	1,385
Total current liabilities	3,906	9,405
Other non-current liabilities		416
Total liabilities	$ 3,906	$ 9,821

(1) Includes non-cash compensation expense of $0.2 million and $0.8 million for the three and nine months ended September 30, 2009, respectively.

(2) Includes restructuring related charges of $2.5 million and $5.1 million for the three and nine months ended September 30, 2010, respectively, related to the exit of the D&I practice and Japan operations.

(3) Includes an impairment charge on goodwill of $39.0 million for the three and nine months ended September 30,

2009.

(4) Includes $2.1 million of receivables related to the sale of the D&I practice.

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

6. Goodwill and Intangible Assets

The table below sets forth the changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2010.

	Health and Education Consulting	Legal Consulting	Financial Consulting	Total
Balance as of December 31, 2009:				
Goodwill	$ 381,923	$ 25,784	$ 162,462	$ 570,169
Accumulated impairment losses			(106,000)	(106,000)
Goodwill, net	381,923	25,784	56,462	464,169
Additional purchase price subsequently recorded for business combinations (1)	6,086	(32)	90	6,144
Goodwill allocated to disposal of D&I (2)			(2,003)	(2,003)
Foreign currency translation goodwill		(23)		(23)
Balance as of September 30, 2010:				
Goodwill	388,009	25,729	160,549	574,287
Accumulated impairment losses			(106,000)	(106,000)
Goodwill, net	$ 388,009	$ 25,729	$ 54,549	$ 468,287

(1) Consists primarily of additional purchase price earned by selling shareholders subsequent to the business combination, as certain financial performance targets and conditions were met. In the third quarter of 2010, the Company settled a future earn-out

agreement with a seller of a previously acquired business based on projected financial performance expectations and recorded $6.0 million of additional purchase consideration. Of this amount, $2.0 million was paid in the third quarter of 2010 and the remainder will be paid out semi-annually until July 1, 2012.

(2) In accordance with ASC Topic 350, a portion of the goodwill associated with the Financial Consulting segment as of September 30, 2010 was allocated to the D&I practice based on the relative fair value of the business disposed of and the portion of the reporting unit that was retained. Accordingly, goodwill allocated to the Financial Consulting

segment was reduced by $2.0 million and included in the gain on disposal of the D&I practice.

Intangible assets as of September 30, 2010 and December 31, 2009 consisted of the following:

	September 30, 2010		**December 31, 2009**	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Customer relationships	$ 14,197	$ 6,276	$ 14,199	$ 4,728
Non-competition agreements	11,271	6,332	11,271	4,839
Tradenames	3,431	3,060	3,431	2,017
Technology and software	8,383	4,855	8,383	3,294
Total	$ 37,282	$ 20,523	$ 37,284	$ 14,878

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. Certain 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.

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

Intangible assets amortization expense was $1.8 million and $5.6 million for the three and nine months ended September 30, 2010, respectively. Intangible assets amortization expense was $2.3 million and $7.6 million for the three and nine months ended September 30, 2009, respectively. Estimated intangible assets amortization expense is $7.5 million for 2010, $5.4 million for 2011, $3.7 million for 2012, $1.8 million for 2013, $1.0 million for 2014, and $0.5 million for 2015. 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. The weighted average common stock equivalents for the three and nine months ended September 30, 2009 was approximately 120,000 and 500,000, respectively. Due to our loss position for the three and nine months ended September 30, 2009, these common stock equivalents were excluded from the calculation of diluted earnings per share as the shares would have had an anti-dilutive effect. Earnings per share under the basic and diluted computations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Net income (loss) from continuing operations	$ 11,053	$ (41,346)	$ 17,248	$ (30,018)
Loss from discontinued operations, net of tax	(3,603)	(22,648)	(4,909)	(17,254)
Net income (loss)	$ 7,450	$ (63,994)	$ 12,339	$ (47,272)
Weighted average common shares outstanding basic	20,619	20,239	20,484	20,061
Weighted average common stock equivalents	230		218	
Weighted average common shares outstanding diluted	20,849	20,239	20,702	20,061
Net earnings (loss) per basic share:				
Income (loss) from continuing operations	$ 0.54	$ (2.04)	$ 0.84	$ (1.50)
Loss from discontinued operations, net of tax	(0.18)	(1.12)	(0.24)	(0.86)
Net income (loss)	$ 0.36	$ (3.16)	$ 0.60	$ (2.36)
Net earnings (loss) per diluted share:				
Income (loss) from continuing operations	$ 0.53	$ (2.04)	$ 0.83	$ (1.50)
Loss from discontinued operations, net of tax	(0.17)	(1.12)	(0.23)	(0.86)
Net income (loss)	$ 0.36	$ (3.16)	$ 0.60	$ (2.36)

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 0.7 million potentially dilutive common stock equivalents for both the three and nine months ended September 30, 2010, and 1.3 million potentially dilutive common stock equivalents for both the three and nine months ended September 30, 2009.

8. Borrowings

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

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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.

On June 30, 2010, we entered into a ninth amendment to the Credit Agreement to amend the definition of certain terms in effect prior to the amendment. The ninth amendment modifies the following terms:

1. Modified the definition of Consolidated EBITDA by allowing for the add back of certain non-recurring items, specifically the St. Vincent Catholic Medical Center litigation settlement charges of up to $5 million for the periods ending up to and including June 30, 2010, and allowing for the add back of charges resulting from the restatement of the Company s financial statements in 2009, net of insurance proceeds and other amounts recouped in connection therewith, for the periods ending up to and including December 31, 2011. The allowed amounts for the add back of the restatement charges include up to $17.1 million in fiscal year 2009, up to $10.0 million in fiscal year 2010 and up to $3.0 million in fiscal year 2011. Absent the amendment, we would not have met the covenant obligations in effect prior to the amendment at June 30, 2010. However, absent the isolated events that are discussed above, that are allowed as an add back under the ninth amendment, we would have met the covenant obligations in effect prior to the amendment at June 30, 2010.

2. Modified the LIBOR Margin, base rate margin, and letters of credit fee rate through the date of delivery of the annual compliance certificate for the fiscal quarter and fiscal year ending December 31, 2010 to 350 basis points, 250 basis points, and 350 basis points, respectively. The non-use fee rate remains at a flat 50 basis points. Subsequent to the delivery of the December 31, 2010 compliance certificate, the LIBOR Margin, base rate margin and letters of credit fee rate return to the applicable margin pricing in effect prior to the ninth amendment to the Credit Agreement.

3. Modified the letters of credit sublimit to allow for the issuance of letters of credit by the issuing lender in currencies other than US Dollars.

Fees and interest on borrowings vary based on our total debt to EBITDA ratio as set forth in the Credit Agreement, as amended. As a result of the ninth amendment to the Credit Agreement, the LIBOR Margin, base rate margin, and letters of credit fee rate were amended such that interest is based on a spread of 3.50% over LIBOR or a spread of 2.50% 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 is 3.50%, while the non-use fee remains a flat 0.5%. These rates are applicable through the date of delivery of the compliance certificate for the period ended December 31, 2010. For periods subsequent to the December 31, 2010 annual compliance certificate date, the LIBOR Margin, base rate margin and letters of credit fee rate return to the applicable margin pricing in effect prior to the ninth amendment to the Credit Agreement. As such, 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 Term Loan is subject to amortization of principal in fifteen consecutive quarterly installments that began on September 30, 2008, with the first fourteen installments being $5.5 million each. The fifteenth and final installment will be the amount of the remaining outstanding principal balance of the Term Loan and will be payable on February 23, 2012, but can be repaid earlier. All outstanding borrowings under the Revolver will be due upon expiration of the Credit Agreement on February 23, 2012. The Credit Agreement includes quarterly financial covenants that require us to maintain certain fixed coverage and total debt to EBITDA ratios as well as minimum net worth. Under the Credit Agreement, dividends are restricted to an amount up to 50% of consolidated net income (adjusted for non-cash share-based compensation expense) for such fiscal year, plus 50% of net cash proceeds during such fiscal year with respect to any issuance of capital securities. In addition, certain acquisitions and similar transactions will need to be approved by the lenders.

The borrowing capacity under the Credit Agreement is reduced by any outstanding letters of credit and payments under the Term Loan. At September 30, 2010, outstanding letters of credit totaled $6.2 million and are used primarily as security deposits for our office facilities. As of September 30, 2010, the borrowing capacity under the Credit Agreement was $74.8 million. Borrowings outstanding under the credit facility at September 30, 2010 totaled $269.5 million, all of which

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are classified as long-term on our consolidated balance sheet as the principal under the Revolver is not due until 2012 and we intend to fund scheduled quarterly payments under the Term Loan with availability under the Revolver. These borrowings carried a weighted-average interest rate of 4.4%, including the effect of the interest rate swap described below in note 10. Derivative Instrument and Hedging Activity . Borrowings outstanding at December 31, 2009 were $219.0 million and carried a weighted-average interest rate of 4.0%. At both September 30, 2010 and December 31, 2009, 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 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 $0.3 million as of September 30, 2010.

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 $0.9 million as of September 30, 2010.

During the third quarter of 2009, we incurred a $1.9 million pre-tax restructuring charge, consisting of severance payments, related to workforce reductions to balance our employee base with current revenue expectations, market demand, and areas of focus. This restructuring reserve was fully paid as of December 31, 2009.

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. 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 September 30, 2010 and December 31, 2009 and for the three and nine months ended September 30, 2010 and 2009.

	Fair Value (Derivative Liability)	
Balance Sheet Location	**September 30, 2010**	**December 31, 2009**

Deferred compensation and other liabilities	$ 1,747	$ 664

	Amount of Loss, Net of Tax, Recognized in Other Comprehensive Income			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Derivative	**2010**	**2009**	**2010**	**2009**
Interest rate swap	$(113)	$(498)	$(649)	$(377)

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We do not use derivative instruments for trading or other speculative purposes and we did not have any other derivative instruments or hedging activities as of September 30, 2010.

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 derivative liability measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2010				
Liability:				
Interest rate swap	$	$1,747	$	$1,747
December 31, 2009				
Liability:				
Interest rate swap	$	$ 664	$	$ 664

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.

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12. Comprehensive Income (Loss)

The tables below set forth the components of comprehensive income (loss) for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30, 2010			Three Months Ended September 30, 2009		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Net income (loss)			$ 7,450			$ (63,994)
Other comprehensive income (loss):						
Foreign currency translation adjustment	$ 216	$ 188	404	$ (316)	$ (109)	(425)
Unrealized loss on cash flow hedging instrument	(189)	76	(113)	(839)	341	(498)
Other comprehensive income (loss)	$ 27	$ 264	291	$ (1,155)	$ 232	(923)
Comprehensive income (loss)			$ 7,741			$ (64,917)

	Nine Months Ended September 30, 2010			Nine Months Ended September 30, 2009		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Net income (loss)			$ 12,339			$ (47,272)
Other comprehensive income (loss):						
Foreign currency translation adjustment	$ (150)	$ 188	38	$ (418)	$ (224)	(642)
Unrealized loss on cash flow hedging instrument	(1,083)	434	(649)	(635)	258	(377)
Other comprehensive income (loss)	$ (1,233)	$ 622	(611)	$ (1,053)	$ 34	(1,019)
Comprehensive income (loss)			$ 11,728			$ (48,291)

13. Other Gain

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

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14. Commitments, Contingencies and Guarantees

Litigation

On July 3, 2007, The Official Committee (the Committee) of Unsecured Creditors of Saint Vincents Catholic Medical Centers of New York d/b/a Saint Vincent Catholic Medical Centers (St. Vincents), et al. filed suit against Huron Consulting Group Inc., certain of our subsidiaries, including Speltz & Weis LLC, and two of our former managing directors, David E. Speltz (Speltz) and Timothy C. Weis (Weis), in the Supreme Court of the State of New York, County of New York. On November 26, 2007, Gray & Associates, LLC (Gray), in its capacity as trustee on behalf of the SVCMC Litigation Trust, was substituted as plaintiff in the place of the Committee and on February 19, 2008, Gray filed an amended complaint in the action. Beginning in 2004, St. Vincents retained Speltz & Weis LLC to provide management services to St. Vincents, and its two principals, Speltz and Weis, were made the interim chief executive officer and chief financial officer, respectively, of St. Vincents. In May of 2005, we acquired Speltz & Weis LLC. On July 5, 2005, St. Vincents filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). On December 14, 2005, the Bankruptcy Court approved the retention of Speltz & Weis LLC and us in various capacities, including interim management, revenue cycle management and strategic sourcing services. The amended complaint filed by Gray alleges, among other things, breach of fiduciary duties, breach of the New York Not-For-Profit Corporation Law, malpractice, breach of contract, tortious interference with contract, aiding and abetting breaches of fiduciary duties, certain fraudulent transfers and fraudulent conveyances, breach of the implied duty of good faith and fair dealing, fraud, aiding and abetting fraud, negligent misrepresentation, and civil conspiracy, and sought at least $200 million in damages, disgorgement of fees, return of funds or other property transferred to Speltz & Weis LLC, attorneys fees, and unspecified punitive and other damages. In the second quarter of 2010, we reached a settlement which resulted in a litigation settlement charge of approximately $4.8 million in the second quarter.

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 have been filed in connection with our restatement in the United States District Court for the Northern District of Illinois: (1) a complaint in the matter of Jason Hughes v. Huron Consulting Group Inc., Gary E. Holdren and Gary L. Burge, filed on August 4, 2009; (2) a complaint in the matter of Dorothy DeAngelis v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge, Wayne Lipski and PricewaterhouseCoopers LLP, filed on August 5, 2009; (3) a complaint in the matter of Noel M. Parsons v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge, Wayne Lipski and PricewaterhouseCoopers LLP, filed on August 5, 2009; (4) a complaint in the matter of Adam Liebman v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and Wayne Lipski, filed on August 5, 2009; (5) a complaint in the matter of Gerald Tobin v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and PricewaterhouseCoopers LLP, filed on August 7, 2009, (6) a complaint in the matter of Gary Austin v. Huron Consulting Group Inc., Gary E. Holdren, Gary L. Burge and Wayne Lipski, filed on August 7, 2009 and (7) a 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.

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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. The Court entered a scheduling order in the matter on August 16, 2010, and the parties have commenced discovery.

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.

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 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 motion to dismiss the amended complaint is due to be filed on November 5, 2010.

Given the uncertain nature of the SEC investigations with respect to the restatement and the allocation of time within a certain practice group, 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), 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.

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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. Huron believes the lawsuit lacks merit and intends to contest the lawsuit vigorously in the event its motion to dismiss is not granted.

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.

Guarantees

Guarantees in the form of letters of credit totaling $6.2 million and $4.5 million were outstanding at September 30, 2010 and December 31, 2009, respectively, to support certain office lease obligations as well as Middle East performance 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. Based on current and projected financial performance, we anticipate aggregate additional purchase consideration that will be earned by certain sellers to be approximately $20.0 million for the year ending December 31, 2010. Additional purchase consideration earned by certain sellers in 2010 and 2009 totaled $6.0 million and $66.2 million for the year ended December 31, 2010 and 2009, respectively. Of these amounts, $4.0 million remains payable as of September 30, 2010.

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.

15. 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.

Effective January 1, 2010, we reorganized our practice areas and service lines to better align ourselves to meet market demands and serve our clients. Under our new organizational structure, we have three operating segments: Health and Education Consulting, Legal Consulting and Financial Consulting. The Financial Consulting segment practices primarily include the restructuring and turnaround and accounting advisory service offerings. The Health and Education Consulting and Legal Consulting segments remain unchanged. Previously reported segment information has been reclassified to reflect the reorganization.

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

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

Financial Consulting. This 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. 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 and nine months ended September 30, 2010 and 2009, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Health and Education Consulting:				
Revenues	$ 89,051	$ 99,714	$ 249,747	$ 283,205