

Huron Consulting Group Inc.  
Form 10-Q  
October 22, 2015  
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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 September 30, 2015

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)  
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)

01-0666114  
(IRS Employer  
Identification Number)

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.

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Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

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

As of October 15, 2015, 22,934,318 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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ITEM 1. CONSOLIDATED FINANCIAL STATEMENTSHURON CONSULTING GROUP INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share amounts)  
(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,462	\$ 256,872
Receivables from clients, net	123,984	98,640
Unbilled services, net	82,447	91,392
Income tax receivable	4,778	8,125
Deferred income taxes, net	9,228	14,772
Prepaid expenses and other current assets	22,962	16,358
Total current assets	256,861	486,159
Property and equipment, net	47,457	44,677
Long-term investment	34,050	12,250
Other non-current assets	24,525	20,998
Intangible assets, net	102,450	24,684
Goodwill	806,801	567,146
Total assets	\$ 1,272,144	\$ 1,155,914
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 9,718	\$ 11,085
Accrued expenses	25,227	17,315
Accrued payroll and related benefits	62,600	106,488
Current maturities of long-term debt	—	28,750
Deferred revenues	22,721	12,738
Total current liabilities	120,266	176,376
Non-current liabilities:		
Deferred compensation and other liabilities	16,204	10,838
Long-term debt, net of current portion	419,426	327,852
Deferred lease incentives	14,535	13,359
Deferred income taxes, net	53,842	26,855
Total non-current liabilities	504,007	378,904
Commitments and contingencies		
Stockholders' equity		
Common stock; \$0.01 par value; 500,000,000 shares authorized; 25,142,424 and 24,976,395 shares issued at September 30, 2015 and December 31, 2014, respectively	243	241
Treasury stock, at cost, 2,207,972 and 2,097,173 shares at September 30, 2015 and December 31, 2014, respectively	(101,239	) (94,074
Additional paid-in capital	453,317	442,308
Retained earnings	294,523	254,814

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Accumulated other comprehensive income (loss)	1,027	(2,655 )
Total stockholders' equity	647,871	600,634
Total liabilities and stockholders' equity	\$1,272,144	\$1,155,914

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues and reimbursable expenses:				
Revenues	\$209,881	\$198,049	\$621,378	\$618,185
Reimbursable expenses	17,356	18,679	55,900	58,923
Total revenues and reimbursable expenses	227,237	216,728	677,278	677,108
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):				
Direct costs	115,587	129,899	366,078	377,798
Amortization of intangible assets and software development costs	4,796	1,227	12,277	3,618
Reimbursable expenses	17,103	18,651	55,826	58,981
Total direct costs and reimbursable expenses	137,486	149,777	434,181	440,397
Operating expenses and other operating (gains) losses:				
Selling, general and administrative expenses	43,629	39,276	132,627	120,148
Restructuring charges	303	233	2,490	1,396
Litigation and other (gains) losses	—	(150)	524	(590)
Depreciation and amortization	8,994	6,315	25,771	18,638
Total operating expenses and other operating (gains) losses	52,926	45,674	161,412	139,592
Operating income	36,825	21,277	81,685	97,119
Other income (expense), net:				
Interest expense, net of interest income	(4,642)	(1,878)	(13,800)	(4,843)
Other income (expense), net	(1,379)	(54)	(1,939)	291
Total other expense, net	(6,021)	(1,932)	(15,739)	(4,552)
Income before income tax expense	30,804	19,345	65,946	92,567
Income tax expense	11,430	7,126	26,237	26,309
Net income	\$19,374	\$12,219	\$39,709	\$66,258
Earnings per share:				
Basic	\$0.88	\$0.54	\$1.79	\$2.94
Diluted	\$0.86	\$0.53	\$1.76	\$2.87
Weighted average shares used in calculating earnings per share:				
Basic	22,107	22,488	22,151	22,573
Diluted	22,592	22,975	22,616	23,052
Comprehensive income:				
Net income	\$19,374	\$12,219	\$39,709	\$66,258
Foreign currency translation loss, net of tax	(615)	(1,127)	(201)	(735)
Unrealized gain on investment, net of tax	—	152	4,135	152
Unrealized gain (loss) on cash flow hedging instruments, net of tax	(91)	304	(252)	124
Other comprehensive income (loss)	(706)	(671)	3,682	(459)
Comprehensive income	\$18,668	\$11,548	\$43,391	\$65,799

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



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

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2014	24,115,593	\$241	(2,109,316)	\$(94,074)	\$442,308	\$254,814	\$(2,655)	\$600,634
Comprehensive income						39,709	3,682	43,391
Issuance of common stock in connection with: Restricted stock awards, net of cancellations	404,525	4	(34,695)	(1,971)	1,967			—
Business acquisition	28,486	—			2,204			2,204
Share-based compensation					17,239			17,239
Shares redeemed for employee tax withholdings			(76,670)	(5,194)				(5,194)
Income tax benefit on share-based compensation					3,095			3,095
Share repurchases	(217,279)	(2)			(13,496)			(13,498)
Balance at September 30, 2015	24,331,325	\$243	(2,220,681)	\$(101,239)	\$453,317	\$294,523	\$1,027	\$647,871

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,	
	2015	2014
Cash flows from operating activities:		
Net income	\$39,709	\$66,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,220	22,636
Share-based compensation	15,288	15,504
Amortization of debt discount and issuance costs	6,985	1,482
Allowances for doubtful accounts and unbilled services	(1,605	) 8,829
Deferred income taxes	13,407	1,817
Changes in operating assets and liabilities, net of acquisitions:		
(Increase) decrease in receivables from clients	(14,725	) 26,807
(Increase) decrease in unbilled services	15,179	(44,020 )
(Increase) decrease in current income tax receivable / payable, net	3,704	(9,690 )
(Increase) decrease in other assets	(5,381	) 3,258
Increase (decrease) in accounts payable and accrued liabilities	8,459	11,466
Increase (decrease) in accrued payroll and related benefits	(43,510	) (9,565 )
Increase (decrease) in deferred revenues	7,507	(2,661 )
Net cash provided by operating activities	83,237	92,121
Cash flows from investing activities:		
Purchases of property and equipment, net	(15,040	) (16,683 )
Investment in life insurance policies	(4,823	) (1,151 )
Purchases of businesses	(332,766	) (51,694 )
Purchases of convertible debt investment	(15,138	) (12,500 )
Capitalization of internally developed software costs	(735	) —
Proceeds from note receivable	—	328
Net cash used in investing activities	(368,502	) (81,700 )
Cash flows from financing activities:		
Proceeds from exercise of stock options	—	848
Shares redeemed for employee tax withholdings	(5,194	) (3,461 )
Tax benefit from share-based compensation	3,117	4,962
Share repurchases	(13,498	) (45,092 )
Proceeds from borrowings under credit facility	272,000	129,000
Repayments on credit facility	(214,500	) (147,750 )
Proceeds from convertible senior notes issuance	—	250,000
Proceeds from sale of warrants	—	23,625
Payments for convertible senior note hedge	—	(42,125 )
Payments for debt issue costs	—	(7,346 )
Payments for capital lease obligations	(48	) (63 )
Deferred payments for purchase of property and equipment	—	(471 )
Deferred acquisition payment	—	(4,745 )

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Net cash provided by financing activities	41,877	157,382
Effect of exchange rate changes on cash	(22	) (21
Net (decrease) increase in cash and cash equivalents	(243,410	) 167,782
Cash and cash equivalents at beginning of the period	256,872	58,131
Cash and cash equivalents at end of the period	\$13,462	\$225,913
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Property and equipment expenditures included in accounts payable and accrued expenses	\$2,201	\$2,755
Contingent consideration related to business acquisitions	\$900	\$590
Common stock issued related to business acquisition	\$2,204	\$—

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, transform the enterprise, reduce costs, leverage technology, process and review large amounts of complex data, address regulatory changes, recover from distress, and stimulate growth. Our professionals employ their expertise in finance, operations, strategy, analytics, and technology to provide our clients with specialized analyses and customized advice and solutions that are tailored to address each client's particular challenges and opportunities to deliver sustainable and measurable results. We provide consulting services to a wide variety of both financially sound and distressed organizations, including healthcare organizations, leading academic institutions, Fortune 500 companies, governmental entities, and law firms.

2. Basis of Presentation

The accompanying unaudited Consolidated Financial Statements reflect the financial position, results of operations, and cash flows as of and for the three and nine months ended September 30, 2015 and 2014. 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 statement 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, 2014 included in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2015 and June 30, 2015.

Certain amounts reported in the previous year have been reclassified to conform to the 2015 presentation. Our results for any interim period are not necessarily indicative of results for a full year or any other interim period.

3. New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-05, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for us beginning in the first quarter of 2016 with early adoption permitted. The guidance may be applied either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. We are currently evaluating the potential effect this guidance will have on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements: Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting, which clarifies the treatment of debt issuance costs from line-of-credit arrangements after the adoption of ASU 2015-03. ASU 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of such arrangement, regardless of whether there are any outstanding borrowings

on the line-of-credit arrangement. This guidance is effective for us beginning in the first quarter of 2016 and will be applied on a retrospective basis. Early adoption is permitted. We are currently evaluating the potential effect this guidance will have on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which amends the consolidation requirements in Accounting Standards Codification (“ASC”) 810, Consolidation. ASU 2015-02 makes targeted amendments to the current consolidation guidance, which could change consolidation conclusions. This guidance will be effective for us beginning in the first quarter of 2016 and early adoption is permitted. We do not expect the adoption of this guidance to have any impact on our consolidated financial statements.

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In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, as a new Topic, ASC 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delays the effective date of ASU 2014-09 by one year. As a result, ASU 2014-09, as amended, is effective for us beginning in the first quarter of 2018 and is to be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption will be permitted as of the original effective date in ASU 2014-09 (i.e., annual reporting periods beginning after December 15, 2016). We are currently evaluating the potential effect of adopting this guidance on our consolidated financial statements, as well as the transition methods.

#### 4. Goodwill and Intangible Assets

The table below sets forth the changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30, 2015.

	Huron Healthcare	Huron Education and Life Sciences	Huron Legal	Huron Business Advisory	Total
Balance as of December 31, 2014:					
Goodwill	\$377,588	\$102,906	\$52,555	\$177,080	\$710,129
Accumulated impairment	—	—	—	(142,983)	(142,983)
Goodwill, net as of December 31, 2014	377,588	102,906	52,555	34,097	567,146
Goodwill recorded in connection with business acquisitions	232,676	—	7,363	448	240,487
Foreign currency translation	—	—	(219)	(613)	(832)
Goodwill, net as of September 30, 2015	\$610,264	\$102,906	\$59,699	\$33,932	\$806,801

Refer to Note 5 “Acquisitions” for additional information on our recent acquisitions.

Intangible assets as of September 30, 2015 and December 31, 2014 consisted of the following:

	Useful Life in Years	September 30, 2015 Gross Carrying Amount	Accumulated Amortization	December 31, 2014 Gross Carrying Amount	Accumulated Amortization
Customer contracts	1 to 4	\$25,373	\$8,634	\$243	\$71
Customer relationships	3 to 13	84,971	27,585	42,345	21,228
Non-competition agreements	2 to 5	3,700	1,728	3,495	1,072
Trade names	5 to 8	22,920	3,906	160	67
Technology and software	3 to 7	9,851	5,124	4,321	3,461
Publishing content	3	3,300	688	—	—
License	2	—	—	50	31
Total		\$150,115	\$47,665	\$50,614	\$25,930

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. The majority of customer relationships, as well as the customer contracts and trade name acquired in the acquisition of Studer Group, are amortized on an accelerated basis to correspond to the cash flows expected to be derived from the assets. All other intangible assets are amortized on a straight-line basis. Refer to Note 5 “Acquisitions” for additional information on the

intangible assets acquired in the Studer Group acquisition.

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 (Tabular amounts in thousands, except per share amounts)  
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Intangible assets amortization expense was \$8.3 million and \$22.0 million for the three and nine months ended September 30, 2015, respectively. Intangible asset amortization expense was \$2.8 million and \$8.3 million for the three and nine months ended September 30, 2014, respectively. The table below sets forth the estimated annual amortization expense for the year ending December 31, 2015 and each of the five succeeding years for the intangible assets recorded as of September 30, 2015.

Year Ending December 31,	Estimated Amount
2015	\$30,318
2016	\$29,372
2017	\$24,950
2018	\$14,660
2019	\$9,241
2020	\$5,664

Actual future amortization expense could differ from these estimated amounts as a result of future acquisitions and other factors.

#### 5. Acquisitions

##### Studer Holdings, Inc.

On February 12, 2015, we acquired 100% of the outstanding stock of Studer Holdings, Inc. (“Studer Group”) from the existing shareholders in accordance with an Agreement and Plan of Merger dated January 26, 2015 (the “Merger Agreement”). Studer Group is a professional services firm that assists healthcare providers achieve cultural transformation to deliver and sustain improvement in clinical outcomes and financial results. The acquisition combines Huron Healthcare’s performance improvement and clinical transformation capabilities with Studer Group’s Evidence-Based Leadership<sup>SM</sup> framework to provide leadership and cultural transformation expertise for healthcare provider clients.

The acquisition date fair value of the consideration transferred for Studer Group was approximately \$325.2 million, which consisted of the following:

Fair value of consideration transferred	
Cash	\$323,237
Common stock	2,204
Net working capital adjustment	(255)
Total consideration transferred	\$325,186

We funded the cash component of the purchase price with cash on hand and borrowings of \$102.0 million under our senior secured credit facility. We issued 28,486 shares of our common stock as part of the consideration transferred, with an acquisition date fair value of \$2.2 million based on the closing price of \$77.35 on the date of acquisition.

The acquisition was accounted for using the acquisition method of accounting. Tangible and identifiable intangible assets acquired and liabilities assumed are recorded at fair value as of the acquisition date. The current fair values of assets acquired and liabilities assumed are considered preliminary and are based on the information that was available as of the date of the acquisition. We believe that the information provides a reasonable basis for estimating the preliminary fair values of assets acquired and liabilities assumed, but certain items, such as taxes payable and deferred taxes, among other things, may be subject to change as additional information is received. Thus, the provisional measurements of fair value and goodwill are subject to change. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date.





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HURON CONSULTING GROUP INC.  
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 (Tabular amounts in thousands, except per share amounts)  
 (Unaudited)

The following table summarizes the preliminary allocation of the purchase price to the fair value of assets acquired and liabilities assumed as of the acquisition date.

	Amount
Assets acquired:	
Accounts receivable	\$ 14,906
Prepaid expenses and other current assets	1,385
Deferred income tax asset	4,335
Property and equipment	4,509
Intangible assets	97,500
Liabilities assumed:	
Accounts payable	760
Accrued expenses and other current liabilities	2,868
Accrued payroll and related benefits	1,574
Deferred revenues	2,449
Deferred income tax liability	21,263
Other non-current liabilities	1,211
Total identifiable net assets	92,510
Goodwill	232,676
Total purchase price	\$ 325,186

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the acquisition date.

	Fair Value	Useful Life in Years
Customer relationships	\$ 42,400	9
Customer contracts	25,100	4
Trade name	22,800	5
Technology and software	3,900	3
Publishing content	3,300	3
Total intangible assets subject to amortization	\$ 97,500	

The weighted-average amortization period for the identifiable intangible assets shown above is 6.3 years. Customer relationships and customer contracts represent the fair values of the underlying relationships and agreements with Studer Group customers. The trade name represents the fair value of the brand and name recognition associated with the marketing of Studer Group's service offerings. Technology and software and publishing content represent the estimated fair values of Studer Group's software and books that are sold to customers. Goodwill is recognized for the excess of purchase price over the net fair value of assets acquired and liabilities assumed, and largely reflects the expanded market opportunities expected from combining the service offerings of Huron and Studer Group, as well as the assembled workforce of Studer Group. Goodwill recognized in conjunction with the acquisition of Studer Group was recorded in the Huron Healthcare segment. Goodwill of \$119.5 million is expected to be deductible for income tax purposes.

Studer Group's results of operations have been included in our unaudited consolidated statements of earnings and other comprehensive income and results of operations of our Huron Healthcare segment from the date of acquisition. For the three months ended September 30, 2015, revenues from Studer Group were \$22.3 million and operating income was \$1.6 million, which included \$6.1 million of amortization expense for intangible assets acquired. For the nine

months ended September 30, 2015, revenues from Studer Group were \$56.0 million and operating income was \$3.6 million, which included \$15.2 million of amortization expense for intangible assets acquired. In connection with the acquisition of Studer Group, we incurred \$2.1 million of transaction and acquisition-related expenses, \$0.9 million of which were incurred in the fourth quarter of 2014, \$1.0

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

million of which were incurred in the first quarter of 2015, and the remaining \$0.2 million were incurred in the second quarter of 2015. These costs are recorded in selling, general, and administrative expenses in the period in which they were incurred.

The following supplemental pro forma information summarizes the combined results of operations for Huron and Studer Group as though the companies were combined on January 1, 2014.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenues	\$209,881	\$218,409	\$632,200	\$674,118
Net income	\$19,606	\$10,173	\$41,016	\$60,988
Net income per share - basic	\$0.89	\$0.45	\$1.85	\$2.70
Net income per share - diluted	\$0.87	\$0.44	\$1.81	\$2.64

The historical financial information has been adjusted to give effect to pro forma adjustments, which consist of intangible assets amortization expense, transaction and acquisition-related costs, interest expense, the related income tax effects, and shares issued as consideration. These adjustments are based upon currently available information and certain assumptions. Therefore, the pro forma consolidated results are not necessarily indicative of what the Company's consolidated results of operations actually would have been had it completed the acquisition on January 1, 2014. The historical results included in the pro forma consolidated results do not purport to project future results of operations of the combined companies nor do they reflect the expected realization of any cost savings or revenue synergies associated with the acquisition.

#### Sky Analytics, Inc.

Effective January 1, 2015, we completed the acquisition of Sky Analytics, Inc. ("Sky Analytics"), a Massachusetts-based provider of legal spend management software for corporate law departments. The acquisition date fair value of the consideration transferred totaled \$9.7 million, which included cash of \$8.8 million and the fair value of contingent consideration of \$0.9 million. As part of the purchase price allocation, we recorded \$2.0 million of intangible assets and \$7.4 million of goodwill. The goodwill balance is not deductible for income tax purposes. Sky Analytics' results of operations have been included in our unaudited consolidated financial statements and results of operations of our Huron Legal segment from the date of acquisition.

#### Rittman Mead India

Effective July 1, 2015, we completed the acquisition of Rittman Mead Consulting Private Limited ("Rittman Mead India"), the India affiliate of Rittman Mead Consulting Ltd. Rittman Mead India is a data and analytics consulting firm that specializes in the implementation of enterprise performance management and analytics systems. The acquisition date fair value of the consideration transferred totaled \$1.2 million. Rittman Mead India's results of operations have been included in our unaudited consolidated financial statements and results of operations of our Huron Business Advisory segment from the date of acquisition.

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## 6. Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period, excluding unvested restricted common stock. Diluted earnings per share reflects the potential reduction in earnings per share that could occur if securities or other contracts to issue common stock were exercised or converted into common stock under the treasury stock method. Such securities or other contracts include unvested restricted stock awards, outstanding common stock options, convertible senior notes, and outstanding warrants, to the extent dilutive. Earnings per share under the basic and diluted computations are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$ 19,374	\$ 12,219	\$ 39,709	\$ 66,258
Weighted average common shares outstanding – basic	22,107	22,488	22,151	22,573
Weighted average common stock equivalents	485	487	465	479
Weighted average common shares outstanding – diluted	22,592	22,975	22,616	23,052
Earnings per share:				
Basic	\$ 0.88	\$ 0.54	\$ 1.79	\$ 2.94
Diluted	\$ 0.86	\$ 0.53	\$ 1.76	\$ 2.87

The number of anti-dilutive securities excluded from the computation of the weighted average common stock equivalents presented above is shown in the following table.

	As of September 30,	
	2015	2014
Unvested restricted stock awards	—	14
Convertible senior notes	3,129	3,129
Warrants related to the issuance of convertible senior notes	3,129	3,129
Total anti-dilutive securities	6,258	6,272

See Note 7 “Financing Arrangements” for further information on the convertible senior notes and warrants related to the issuance of convertible notes.

In October 2014, our board of directors authorized a share repurchase program pursuant to which we may, from time to time, repurchase up to \$50 million of our common stock through October 31, 2015 (the “October 2014 Share Repurchase Program”). In October 2015, our board of directors authorized an extension of the October 2014 Share Repurchase Program through October 31, 2016. The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, general market and business conditions, and applicable legal requirements. In the second quarter of 2015, 217,279 shares were repurchased and retired for \$13.5 million under the October 2014 Share Repurchase Program. No shares were repurchased in the first or third quarter of 2015.

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## 7. Financing Arrangements

A summary of the carrying amounts of our debt is as follows:

	September 30, 2015	December 31, 2014
1.25% convertible senior notes due 2019	\$218,176	\$212,852
Senior secured credit facility	201,250	143,750
Total debt	419,426	356,602
Current maturities of debt	—	(28,750
Long-term debt, net of current portion	\$419,426	\$327,852

## Convertible Notes

In September 2014, the Company issued \$250 million principal amount of 1.25% convertible senior notes due 2019 (the “Convertible Notes”) in a private offering. The Convertible Notes are governed by the terms of an indenture between the Company and U.S. Bank National Association, as Trustee (the “Indenture”). The Convertible Notes are senior unsecured obligations of the Company and will pay interest semi-annually on April 1 and October 1 of each year at an annual rate of 1.25%. The Convertible Notes will mature on October 1, 2019, unless earlier repurchased by the Company or converted in accordance with their terms.

Upon conversion, the Convertible Notes will be settled, at our election, in cash, shares of the Company’s common stock, or a combination of cash and shares of the Company’s common stock. Our current intent and policy is to settle conversions with a combination of cash and shares of common stock with the principal amount of the Convertible Notes paid in cash, in accordance with the settlement provisions of the Indenture.

The initial conversion rate for the Convertible Notes is 12.5170 shares of our common stock per \$1,000 principal amount of the Convertible Notes, which is equal to an initial conversion price of approximately \$79.89 per share of our common stock. The conversion rate will be subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest, except in certain limited circumstances described in the Indenture. Upon the occurrence of a “make-whole fundamental change” (as defined in the Indenture) the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Convertible Notes in connection with such make-whole fundamental change. Additionally, if the Company undergoes a “fundamental change” (as defined in the Indenture), a holder will have the option to require the Company to repurchase all or a portion of its Convertible Notes for cash at a price equal to 100% of the principal amount of the Convertible Notes being repurchased plus any accrued and unpaid interest. As discussed below, the warrants, which were entered into in connection with the Convertible Notes, effectively raise the price at which economic dilution would occur from the initial conversion price of approximately \$79.89 to approximately \$97.12 per share.

Holders of the Convertible Notes may convert their Convertible Notes at their option at any time prior to July 1, 2019, only under the following circumstances:

during any calendar quarter (and only during such calendar quarter) commencing after December 31, 2014 if, for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on, and including, the last trading day of the immediately preceding calendar quarter, the last reported sale price of the Company’s common stock for such trading day is equal to or greater than 130% of the applicable conversion price on such trading day;

during the five consecutive business day period immediately following any five consecutive trading day period (such five consecutive trading day period, the “measurement period”) in which, for each trading day of the measurement period, the “trading price” (as defined in the Indenture) per \$1,000 principal amount of the Convertible Notes for such trading day was less than 98% of the product of the last reported sale price of the Company’s common stock for such trading day and the applicable conversion rate on such trading day; or

upon the occurrence of specified corporate transactions described in the Indenture.

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On or after July 1, 2019 until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or a portion of its Convertible Notes, regardless of the foregoing circumstances.

In accordance with ASC 470, Debt, we have separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was determined by measuring the fair value of a similar liability that does not have an associated convertible feature, assuming our non-convertible debt borrowing rate. The carrying value of the equity component representing the conversion option, which is recognized as a debt discount, was determined by deducting the fair value of the liability component from the proceeds of the Convertible Notes. The debt discount is amortized to interest expense using an effective interest rate of 4.751% over the term of the Convertible Notes. As of September 30, 2015, the remaining life of the Convertible Notes is 4.0 years. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

As of September 30, 2015 and December 31, 2014, the Convertible Notes consisted of the following:

	September 30, 2015	December 31, 2014
Liability component:		
Proceeds	\$250,000	\$250,000
Less: debt discount, net of amortization	(31,824	) (37,148
Net carrying amount	\$218,176	\$212,852
Equity component <sup>(1)</sup>	\$39,287	\$39,287

(1)Included in Additional paid-in capital on the consolidated balance sheet.

The transaction costs related to the issuance of the Convertible Notes were separated into liability and equity components based on their relative values, as determined above. Transaction costs attributable to the liability component are capitalized and amortized to interest expense over the term of the Convertible Notes, and transaction costs attributable to the equity component were netted with the equity component of the Convertible Notes in stockholders' equity. Total debt issuance costs were approximately \$7.3 million, of which \$6.2 million was allocated to liability issuance costs and \$1.1 million was allocated to equity issuance costs.

The following table presents the amount of interest expense recognized related to the Convertible Notes for the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Contractual interest coupon	\$781	\$182	\$2,344	\$182
Amortization of debt issuance costs	295	68	883	68
Amortization of debt discount	1,795	406	5,324	406
Total interest expense	\$2,871	\$656	\$8,551	\$656

In connection with the issuance of the Convertible Notes, we entered into convertible note hedge transactions and warrant transactions. The convertible note hedge transactions are intended to reduce the potential future economic dilution associated with the conversion of the Convertible Notes and, combined with the warrants, effectively raise the price at which economic dilution would occur from the initial conversion price of approximately \$79.89 to approximately \$97.12 per share. For purposes of the computation of diluted earnings per share in accordance with GAAP, dilution will occur when the average share price of our common stock for a given period exceeds the conversion price of the Convertible Notes, which initially is equal to approximately \$79.89 per share. The convertible note hedge transactions and warrant transactions are discussed separately below.





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Convertible Note Hedge Transactions. In connection with the issuance of the Convertible Notes, the Company entered into convertible note hedge transactions whereby the Company has call options to purchase a total of approximately 3.1 million shares of the Company's common stock, which is the number of shares initially issuable upon conversion of the Convertible Notes in full, at a price of approximately \$79.89, which corresponds to the initial conversion price of the Convertible Notes, subject to customary anti-dilution adjustments substantially similar to those in the Convertible Notes. The convertible note hedge transactions are exercisable upon conversion of the Convertible Notes and will expire in 2019 if not earlier exercised. We paid an aggregate amount of \$42.1 million for the convertible note hedge transactions, which was recorded as additional paid-in capital in the consolidated balance sheets. The convertible note hedge transactions are separate transactions and are not part of the terms of the Convertible Notes.

Warrants. In connection with the issuance of the Convertible Notes, the Company sold warrants whereby the holders of the warrants have the option to purchase a total of approximately 3.1 million shares of the Company's common stock at a strike price of approximately \$97.12. The warrants will expire incrementally on 100 different dates from January 6, 2020 to May 28, 2020 and are exercisable at each such expiry date. If the average market value per share of our common stock for the reporting period exceeds the strike price of the warrants, the warrants will have a dilutive effect on our earnings per share. We received aggregate proceeds of \$23.6 million from the sale of the warrants, which was recorded as additional paid-in capital in the consolidated balance sheets. The warrants are separate transactions and are not part of the terms of the Convertible Notes or the convertible note hedge transactions. The Company recorded an initial deferred tax liability of \$15.4 million in connection with the debt discount associated with the Convertible Notes and recorded an initial deferred tax asset of \$16.5 million in connection with the convertible note hedge transactions. The deferred tax liability and deferred tax asset are included in non-current deferred tax liabilities on the consolidated balance sheets.

Senior Secured Credit Facility

On March 31, 2015, the Company and certain of the Company's subsidiaries entered into a Second Amended and Restated Credit Agreement dated as of March 31, 2015 (the "Amended Credit Agreement") by and among the Company, as borrower, certain subsidiaries of the Company, as guarantors, the lenders identified therein, and Bank of America, N.A., as administrative agent and collateral agent, consisting of a \$500 million five-year senior secured revolving credit facility. The Amended Credit Agreement becomes due and payable in full upon maturity on March 31, 2020. The Amended Credit Agreement amended and restated, in its entirety, the credit agreement entered into as of April 14, 2011 (as amended and modified, the "Existing Credit Agreement"). The Amended Credit Agreement provides for, among other things, an extension of the maturity date and a reduction in pricing, and replaced the existing revolving credit and term loan facility with an increased revolving credit facility.

The Amended Credit Agreement provides for the option to increase the revolving credit facility or establish term loan facilities in an aggregate amount of up to \$100 million, subject to customary conditions and the approval of any lender whose commitment would be increased, resulting in a maximum available principal amount under the Amended Credit Agreement of \$600 million.

The initial borrowings under the Amended Credit Agreement were used to refinance borrowings outstanding under the Existing Credit Agreement, and future borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, share repurchases, and general corporate purposes.

Fees and interest on borrowings vary based on our Consolidated Leverage Ratio (as defined in the Amended Credit Agreement). At our option, borrowings under the Amended Credit Agreement will bear interest at one, two, three or six-month LIBOR or an alternate base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.25% per annum and 1.75% per annum, in the case of LIBOR borrowings, or between 0.25% per annum and 0.75% per annum, in the case of base rate loans, based upon our Consolidated Leverage Ratio at such time.

Amounts borrowed under the Amended Credit Agreement may be prepaid at any time without premium or penalty. We are required to prepay the amounts outstanding under the Amended Credit Agreement in certain circumstances, including a requirement to pay all amounts outstanding under the Amended Credit Agreement 90 days prior to the Convertible Indebtedness Maturity Date (as defined in the Amended Credit Agreement) unless (1) the Convertible Indebtedness Maturity Date is waived or extended to a later date, (2) the Company can demonstrate (a) Liquidity (as defined in the Amended Credit Agreement) in an

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amount at least equal to the principal amount due on the Convertible Indebtedness Maturity Date, and (b) financial covenant compliance after giving effect to such payments and any additional indebtedness incurred on a pro forma basis, or (3) this requirement is waived by the Required Lenders (as defined in the Amended Credit Agreement). In addition, we have the right to permanently reduce or terminate the unused portion of the commitments provided under the Amended Credit Agreement at any time.

The loans and obligations under the Amended Credit Agreement are secured pursuant to a Second Amended and Restated Security Agreement and a Second Amended and Restated Pledge Agreement (the "Amended Pledge Agreement") with Bank of America, N.A. as collateral agent, pursuant to which the Company and the subsidiary guarantors grant Bank of America, N.A., for the ratable benefit of the lenders under the Amended Credit Agreement, a first-priority lien, subject to permitted liens, on substantially all of the personal property assets of the Company and the subsidiary guarantors, and a pledge of 100% of the stock or other equity interests in all domestic subsidiaries and 65% of the stock or other equity interests in each "material first-tier foreign subsidiary" (as defined in the Amended Pledge Agreement).

The Amended Credit Agreement contains usual and customary representations and warranties; affirmative and negative covenants, which include limitations on liens, investments, additional indebtedness, and restricted payments; and two quarterly financial covenants as follows: (i) a maximum Consolidated Leverage Ratio of either 3.25 to 1.00 or 3.50 to 1.00, depending on the measurement period, and (ii) a minimum Consolidated Interest Coverage Ratio (as defined in the Amended Credit Agreement) of 3.50 to 1.00. At September 30, 2015, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 2.49 to 1.00 and a Consolidated Interest Coverage Ratio of 18.30 to 1.00.

Borrowings outstanding under the Amended Credit Agreement at September 30, 2015 totaled \$201.3 million. These borrowings carried a weighted average interest rate of 2.3%, including the effect of the interest rate swaps described below in Note 9 "Derivative Instruments and Hedging Activity." Borrowings outstanding under the Existing Credit Agreement at December 31, 2014 were \$143.8 million and carried a weighted average interest rate of 2.3%. The borrowing capacity under the revolving credit facility is reduced by any outstanding borrowings under the revolving credit facility and outstanding letters of credit. At September 30, 2015, we had outstanding letters of credit totaling \$5.2 million, which are primarily used as security deposits for our office facilities. As of September 30, 2015, the unused borrowing capacity under the revolving credit facility was \$293.5 million.

#### 8. Restructuring Charges

During the third quarter of 2015, we incurred a \$0.3 million pretax restructuring charge primarily related to updated assumptions for the lease accrual of the Washington, D.C. space vacated in the fourth quarter of 2014. During the second quarter of 2015, we incurred a \$0.6 million pretax restructuring charge primarily related to workforce reductions in our All Other segment as we continue to wind down our public sector consulting practice and our foreign consulting operations based in the Middle East. During the first quarter of 2015, we incurred a \$1.6 million pretax restructuring charge primarily related to workforce reductions. Of the \$1.6 million charge, \$1.0 million related to our Huron Legal segment, \$0.5 million related to our All Other segment, and the remaining \$0.1 million related to our corporate operations.

During the third quarter of 2014, we incurred a \$0.2 million pretax restructuring charge primarily related to updated assumptions for the lease accrual of the London office space vacated in the second quarter of 2014. During the second quarter of 2014, we incurred a \$1.0 million pretax restructuring charge related to the consolidation of office spaces in Chicago, New York, and London. Of the total \$1.0 million charge, \$0.6 million related to the accrual of our remaining lease obligations at vacated spaces, net of estimated sublease income, and \$0.4 million related to accelerated depreciation of assets disposed of as a result of the space consolidation. The vacated locations in Chicago and New York were acquired as part of business acquisitions during 2013 and 2014. During the first quarter of 2014, we

incurred a \$0.1 million pretax restructuring charge related to workforce reductions in our London office to better align our resources with market demand in our Huron Legal segment.

As of September 30, 2015, our restructuring charge liability was \$1.0 million which primarily represents the present value of remaining lease payments for our vacated office space in Washington, D.C. As of December 31, 2014, our restructuring charge liability was \$1.2 million, and primarily consisted of the present value of remaining lease payments, net of estimated sublease income, for our vacated office spaces in Washington, D.C., Chicago, and New York. The restructuring charge liabilities are included as a component of Accrued expenses and Deferred compensation and other liabilities.

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9. Derivative Instruments and Hedging Activity

On December 8, 2011, we entered into a forward amortizing interest rate swap agreement effective on February 29, 2012 and ending on April 14, 2016. We entered into this derivative instrument to hedge against the interest rate risks of our variable-rate borrowings described in Note 7 “Financing Arrangements.” The swap had an initial notional amount of \$56.6 million and amortizes throughout the term. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 0.9875%.

On May 30, 2012, we entered into an amortizing interest rate swap agreement effective on May 31, 2012 and ending on April 14, 2016. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings. The swap had an initial notional amount of \$37.0 million and amortizes throughout the term. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 0.70%.

On April 4, 2013, we entered into a forward amortizing interest rate swap agreement effective on March 31, 2014 and ending on August 31, 2017. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings. The swap has an initial notional amount of \$60.0 million and amortizes throughout the term. Under the terms of the interest rate swap agreement, we will receive from the counterparty interest on the notional amount based on one-month LIBOR and we will pay to the counterparty a fixed rate of 0.985%.

ASC 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 815, we have designated these derivative instruments as cash flow hedges. As such, changes in the fair value of the derivative instruments are recorded as a component of other comprehensive income (“OCI”) to the extent of effectiveness and reclassified into interest expense upon settlement. The ineffective portion of the change in fair value of the derivative instruments is recognized in interest expense. As of September 30, 2015, it was anticipated that \$0.3 million of the losses, net of tax, currently recorded in accumulated other comprehensive income will be reclassified into earnings within the next 12 months. Our interest rate swap agreements were effective during the three and nine months ended September 30, 2015, inclusive of consideration of our credit facility amendment discussed in Note 7 “Financing Arrangements.”

The table below sets forth additional information relating to these interest rate swaps designated as cash flow hedging instruments as of September 30, 2015 and December 31, 2014.

Balance Sheet Location	Fair Value (Derivative Asset and Liability)	
	September 30, 2015	December 31, 2014
Other non-current assets	\$—	\$516
Accrued expenses	\$487	\$643
Deferred compensation and other liabilities	\$67	\$10

All of the Company’s derivative instruments are transacted under the International Swaps and Derivatives Association (ISDA) master agreements. These agreements permit the net settlement of amounts owed in the event of default and certain other termination events. Although netting is permitted, it is the Company’s policy to record all derivative assets and liabilities on a gross basis on the Consolidated Balance Sheets. All of the Company’s derivative instruments as of September 30, 2015 and December 31, 2014 were held with the same counterparty.

We do not use derivative instruments for trading or other speculative purposes. Refer to Note 11 “Other Comprehensive Income (Loss)” for additional information on our derivative instruments.

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## 10. Fair Value of Financial Instruments

Certain of our assets and liabilities are measured at fair value. ASC 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 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 assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2015				
Assets:				
Promissory note	\$—	\$—	\$2,278	\$2,278
Convertible debt investment	—	—	34,050	34,050
Total assets	\$—	\$—	\$36,328	\$36,328
Liabilities:				
Interest rate swaps	\$—	\$554	\$—	\$554
Contingent consideration for business acquisitions	—	—	900	900
Total liabilities	\$—	\$554	\$900	\$1,454
December 31, 2014				
Assets:				
Promissory note	\$—	\$—	\$2,137	\$2,137
Interest rate swaps	—	172	—	172
Convertible debt investment	—	—	12,250	12,250
Total assets	\$—	\$172	\$14,387	\$14,559
Liabilities:				
Interest rate swaps	\$—	\$309	\$—	\$309
Contingent consideration for business acquisition	—	—	226	226

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Total liabilities	\$—	\$309	\$226	\$535
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Promissory note: As part of the consideration received for the sale of our Accounting Advisory practice on December 30, 2011, the Company received a \$3.5 million promissory note payable over four years. During the second quarter of 2014, we agreed to amend and restate the note such that principal payments will be paid to the Company annually based on the amount of excess cash flows earned each year by the maker of the note until the maturity date of December 31, 2018, at which time the remaining principal balance and any accrued interest is due. The fair value of the note is based on the net present value of the projected cash flows using a discount rate of 17%, which accounts for the risks associated with the note. The increase in the fair value of the note during the first nine months of 2015 reflects the accretion of interest income in excess of interest payments received.

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The portion of the note expected to be received in the next 12 months is recorded as a receivable in Prepaid expenses and other current assets. The remaining portion of the note is recorded in Other non-current assets.

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

Convertible debt investment: In the third quarter of 2014, we invested \$12.5 million, in the form of zero coupon convertible debt, in Shorelight Holdings, LLC (“Shorelight”), the parent company of Shorelight Education, a U.S.-based company that partners with leading nonprofit universities to increase access and retention of international students, boost institutional growth, and enhance an institution’s global footprint. In the first nine months of 2015, we invested an additional \$15.1 million in convertible notes of Shorelight, including \$12.0 million in July 2015 in conjunction with the third-party financing event discussed below. The notes will mature on July 1, 2020, unless converted earlier. As of September 30, 2015, the total cost basis of our investment is \$27.6 million.

To determine the appropriate accounting treatment for our investment, we performed a variable interest entity (“VIE”) analysis and concluded that Shorelight does not meet the definition of a VIE. We also reviewed the characteristics of our investment to confirm that the convertible notes are not in-substance common stock that would warrant equity method accounting. After we reviewed all of the terms of the investment, we concluded the appropriate accounting treatment to be that of an available-for-sale security in accordance with ASC 320, Investments – Debt and Equity Securities.

The investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. We estimated the fair value of our investment using cash flow projections discounted at a risk-adjusted rate and certain assumptions related to equity volatility, default probability, and recovery rate, all of which are Level 3 inputs. In arriving at the estimated fair value, we also considered the probability-weighted likelihood of conversion of the notes, in accordance with the various conversion features of the notes.

During the second quarter of 2015, Shorelight sought additional financing from new third-party investors in order to help fund their continued growth. During the financing process, interest from potential investors indicated that the fair value of the business had increased since our initial investment. As a result, the estimated fair value of our convertible debt investment increased during the second quarter of 2015, and we recorded an unrealized gain of \$6.7 million as a component of other comprehensive income during the period. The additional round of financing closed in July 2015. The fair value of the convertible debt investment is recorded in Long-term investment.

Contingent consideration for business acquisitions: We estimate the fair value of acquisition-related contingent consideration using either a probability-weighted discounted cash flow model or a Monte Carlo simulation model, as appropriate. These fair value measurements are based on significant inputs not observable in the market and thus represent Level 3 measurements. The significant unobservable inputs used in the fair value measurements of our contingent consideration are our measures of the estimated payouts based on internally generated financial projections and discount rates. The fair value of the contingent consideration is reassessed quarterly based on assumptions used in our latest projections and input provided by practice leaders and management. Any change in the fair value estimate is recorded in the earnings of that period. During the first quarter of 2015, we recorded a \$0.9 million contingent consideration liability for one acquisition completed during the quarter. In addition, we determined that the fair value of another contingent consideration liability had declined to zero and recorded a remeasurement gain of \$0.3 million. There was no change to the fair value of the outstanding contingent consideration liabilities for the quarters ended June 30, 2015 and September 30, 2015. Refer to Note 5 “Acquisitions” for information on the acquisitions completed in 2015. At September 30, 2015, the current portion of the contingent consideration liability is recorded in Accrued expenses and the long-term portion is recorded in Deferred compensation and other liabilities.

Financial assets and liabilities not recorded at fair value are as follows:



Senior Secured Credit Facility

The carrying value of borrowings outstanding under our senior secured credit facility is stated at cost. Our carrying value approximates fair value, using Level 2 inputs, as the senior secured credit facility bears interest at variable rates based on market rates as set forth in the Amended Credit Agreement. Refer to Note 7 “Financing Arrangements.”

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## Convertible Notes

The carrying amount and estimated fair value of the Convertible Notes are as follows:

	September 30, 2015		December 31, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
1.25% convertible senior notes due 2019	\$218,176	\$258,998	\$212,852	\$261,903

The difference between the \$250 million principal amount of the Convertible Notes and the carrying amount represents the unamortized debt discount. As of September 30, 2015 and December 31, 2014, the carrying value of the equity component of \$39.3 million was unchanged from the date of issuance. Refer to Note 7 "Financing Arrangements" for additional details of our Convertible Notes. The estimated fair value of the Convertible Notes was determined based on the quoted bid price of the Convertible Notes in an over-the-counter market, which is a Level 2 input, on the last day of trading for the quarters ended September 30, 2015 and December 31, 2014.

Based on the closing price of our common stock of \$62.53 on September 30, 2015, the if-converted value of the Convertible Notes was less than the principal amount.

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.

We hold our cash in accounts at multiple third-party financial institutions. These deposits, at times, may exceed federally insured limits. We review the credit ratings of these financial institutions, regularly monitor the cash balances in these accounts, and adjust the balances as appropriate. However, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets.

## 11. Other Comprehensive Income (Loss)

The tables below set forth the components of other comprehensive income (loss), net of tax, for the three and nine months ended September 30, 2015 and 2014.

	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Other comprehensive income (loss):						
Foreign currency translation adjustment	\$(613)	) \$(2)	) \$(615)	) \$(1,127)	) \$—	) \$(1,127)
Unrealized gain on investment	\$—	) \$—	) \$—	) \$250	) \$(98)	) \$152
Unrealized gain (loss) on cash flow hedges:						
Change in fair value	\$(346)	) \$137	) \$(209)	) \$255	) \$(98)	) \$157
Reclassification adjustments into earnings	196	) (78)	) 118	) 246	) (99)	) 147
Net unrealized gain (loss)	\$(150)	) \$59	) \$(91)	) \$501	) \$(197)	) \$304
Other comprehensive income (loss)	\$(763)	) \$57	) \$(706)	) \$(376)	) \$(295)	) \$(671)



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	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Other comprehensive income (loss):						
Foreign currency translation adjustment	\$(228 )	\$27	\$(201 )	\$(735 )	\$—	\$(735 )
Unrealized gain on investment	\$6,661	\$(2,526 )	\$4,135	\$250	\$(98 )	\$152
Unrealized gain (loss) on cash flow hedges:						
Change in fair value	\$(1,036 )	\$412	\$(624 )	\$(427 )	\$173	\$(254 )
Reclassification adjustments into earnings	619	(247 )	372	630	(252 )	378
Net unrealized gain (loss)	\$(417 )	\$165	\$(252 )	\$203	\$(79 )	\$124
Other comprehensive income (loss)	\$6,016	\$(2,334 )	\$3,682	\$(282 )	\$(177 )	\$(459 )

The before tax amounts reclassified from accumulated other comprehensive income (loss) related to our cash flow hedges are recorded to Interest expense, net of interest income.

Accumulated other comprehensive income (loss), net of tax, includes the following components:

	Foreign Currency Translation Adjustments	Net Unrealized Gain (Loss) on Investment	Net Unrealized Loss on Derivatives	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2014	\$(2,334 )	\$250 )	\$(71 )	\$(2,655 )
Current period change	(201 )	4,135 )	(252 )	3,682
Balance, September 30, 2015	\$(2,535 )	\$3,885 )	\$(323 )	\$1,027

## 12. Income Taxes

The Company's effective tax rates for the three months ended September 30, 2015 and 2014 were 37.1% and 36.8%, respectively. The Company's effective tax rates for the nine months ended September 30, 2015 and 2014 were 39.8% and 28.4%. The effective tax rate for the three months ended September 30, 2015 was in line with the statutory rate, inclusive of state income taxes, with the negative impact of certain non-deductible business expenses and foreign losses with no tax benefit largely offset by certain credits and deductions. The effective tax rate for the nine months ended September 30, 2015 was higher than the statutory rate, inclusive of state income taxes, primarily due to certain non-deductible business expenses and foreign losses with no tax benefit, partially offset by certain credits and deductions.

The effective tax rate for the third quarter of 2014 was lower than the statutory tax rate, inclusive of state income taxes, primarily due to the favorable settlement of the IRS audit for years 2009, 2010, and 2011. The effective tax rate for the first nine months of 2014 was lower than the statutory tax rate, inclusive of state income taxes, primarily due to the impact of a tax election made in the first quarter of 2014 to classify one of our wholly-owned foreign subsidiaries as a disregarded entity for U.S. federal income tax purposes (commonly referred to as a "check-the-box" election). As a result of this election, we expect to realize an income tax benefit of \$13.8 million, of which \$2.4 million is unrecognized, resulting in a net recognized tax benefit of \$11.4 million. This recognized benefit was partially offset by \$1.2 million in expenses in the first quarter of 2014 related to the establishment of a valuation allowance for certain foreign tax credits and increased deferred tax liabilities as a result of the aforementioned election.

## 13. Commitments, Contingencies and Guarantees

Litigation

Tamalluk Business Development LLC v. Huron Consulting Services LLC (Abu Dhabi Court of First Instance)

On August 22, 2013, we learned that Tamalluk Business Development LLC, who was Huron's agent in Abu Dhabi, and its principal, Mubarak Ahmad Bin Hamouda Al Dhaheri, filed a claim against Huron Consulting Services LLC in the Abu Dhabi

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Court of First Instance. The lawsuit alleges that under the agency agreement, Tamalluk was entitled to a commission on certain amounts that Huron collected from Abu Dhabi clients, and that Huron breached the agreement with Tamalluk and caused damages by declining to enter into a client engagement in Abu Dhabi and subsequently terminating the agency agreement with Tamalluk. Claimants allege they are entitled to \$50 million for damage to reputation and defamation and another \$50 million for breach of contract. Huron submitted its written response on September 25, 2013. The response states that Huron had the right to terminate the agency agreement with Tamalluk, and Huron had the sole discretion whether to accept or reject an engagement. Huron also filed a counterclaim on October 10, 2013 seeking a judicial order to permit the cancellation of Huron's commercial license to allow Huron to cease doing business in Abu Dhabi. On December 17, 2013, the Abu Dhabi court ruled in Huron's favor on all claims and held that Huron permissibly terminated the contract with Tamalluk and Huron does not owe Tamalluk any compensation related to Tamalluk's claims. In addition, the court terminated the Local Sponsorship Agreement as requested by Huron in its counterclaim. Tamalluk appealed the decision, and on March 18, 2014, the appellate court upheld the decision in Huron's favor. Tamalluk filed an appeal on May 18, 2014 to the Court of Cassation, which is the highest court in Abu Dhabi. On October 21, 2014, the Court of Cassation referred the case back to the appellate court for consideration of Claimants' allegations relating to damage to reputation and defamation, which the appellate court had not previously addressed. The Court of Cassation ruled in Huron's favor on the other claims and on Huron's counterclaim. On October 13, 2015, the appellate court ruled in Huron's favor and denied Tamalluk's claims for defamation and damage to reputation. This ruling is appealable to the Court of Cassation.

Physiotherapy Associates

In 2011, Huron was engaged to design and implement new processes, software, tools, and techniques to assist Physiotherapy Associates, Inc. ("PA") in reducing older accounts receivable levels and optimizing cash flow. The engagement agreement specifically provides that Huron will not be auditing financial statements and that Huron's services are not designed, and should not be relied on, to disclose weaknesses in internal controls, financial statement errors, irregularities, illegal acts, or disclosure deficiencies.

In November 2013, Physiotherapy Holdings, Inc., and certain subsidiaries and affiliates (including PA) filed a voluntary petition for bankruptcy pursuant to Chapter 11 of the Bankruptcy Code, which resulted in part from claims related to an alleged overstatement of PA's revenues and profitability in connection with the sale of PA in 2012. The Joint Prepackaged Plan of Reorganization (the "Plan"), which was confirmed by the Bankruptcy Court in December 2013, establishes and funds a Litigation Trust to pursue certain claims on behalf of certain beneficiaries. The Plan discloses a lengthy list of potential defendants and witnesses regarding these claims, including but not limited to the debtors' officers, directors, certain employees, former owners, investment bankers, auditors, and various consultants. This list of potential defendants and witnesses includes Huron, as well as three of Huron's current or former employees.

The Plan suggests that Huron, among others, was involved in "actively marketing PA" for sale and provided opinions to unnamed parties "defending the quality of PA's earnings." While we believe that we have meritorious defenses, to avoid the time and expense of protracted litigation, in September 2015 we reached an agreement in principle with the Litigation Trust to settle the matter for \$3.6 million. As a result, in the third quarter of 2015 we increased our accrued liability from \$1.3 million to \$3.6 million, and increased our insurance receivable from \$0.5 million to \$2.8 million. The settlement agreement, once finalized between the parties, will be subject to approval by the Bankruptcy Court. 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 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 and Indemnification

Guarantees in the form of letters of credit totaling \$5.2 million and \$5.1 million were outstanding at September 30, 2015 and December 31, 2014, respectively, primarily to support certain office lease obligations.

To the extent permitted by law, our bylaws and articles of incorporation require that we indemnify our officers and directors against judgments, fines and amounts paid in settlement, including attorneys' fees, incurred in connection with civil or criminal action or proceedings, as it relates to their services to us if such person acted in good faith.

Although there is no limit on the amount of indemnification, we may have recourse against our insurance carrier for certain payments made.

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14. Segment Information

Segments are defined by ASC 280, Segment Reporting, as components of a company that engage in business activities from which they may earn revenues and incur expenses, and for 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 five operating segments, which are our reportable segments: Huron Healthcare, Huron Education and Life Sciences, Huron Legal, Huron Business Advisory, and All Other.

•Huron Healthcare

Our Huron Healthcare segment provides consulting services to national and regional hospitals and integrated health systems, academic medical centers, community hospitals, and physician practices. We deliver solutions to enhance the ability of our clients to address challenges in the rapidly-evolving healthcare environment and to improve quality, increase revenue, reduce expenses, and enhance patient, physician, and employee satisfaction across the healthcare enterprise. By partnering with healthcare organizations, we design solutions that teach providers how to achieve cultural transformation and deliver and sustain improvement in clinical outcomes and financial results. Our people provide a depth of expertise across the healthcare industry, and our culture of collaboration extends to our client engagements, enabling teams to effectively implement successful client projects.

•Huron Education and Life Sciences

Our Huron Education and Life Sciences segment provides management consulting services and software solutions to the higher education, academic medical center, pharmaceutical and medical device, and research industries. We work with our clients to develop and implement performance improvement, technology, and research enterprise solutions to help them address challenges relating to financial management, strategy, operational and organizational effectiveness, research administration, and regulatory compliance.

•Huron Legal

Our Huron Legal segment provides consulting and technology-enabled services to assist law departments of major global corporations and their associated law firms with cost and risk reduction and operational efficiency. Our professionals and business solutions focus on four primary areas: electronic discovery and litigation management, law department management, information governance and compliance, and legal analytics. Our clients benefit from the experience of business, discovery, and technical consultants who are experts in the legal, compliance, technology, and management fields.

•Huron Business Advisory

Our Huron Business Advisory segment provides services to the C-suite of middle market and large organizations, lending institutions, law firms, investment banks, and private equity firms. We assist clients in a broad range of industries and across the spectrum from healthy, well-capitalized companies to organizations in transition, creditors, owners, and other key constituents. Also included in the Huron Business Advisory segment is our Enterprise Performance Management and Analytics practice, which delivers solutions that enable organizations to manage and optimize their financial performance, operational efficiency, and client experience. With expertise in full-service enterprise performance management (EPM), business analytics, customer relationship management (CRM), and big data professional services, Huron helps global clients across industries drive results and gain a competitive advantage.

•All Other

Our All Other segment consists of any line of business not managed by our other four operating segments. These businesses include our public sector consulting practice and our foreign consulting operations based in the Middle East, both of which we are in the process of winding down.



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.

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The table below sets forth information about our operating segments for the three and nine months ended September 30, 2015 and 2014, 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,		
	2015	2014	2015	2014	
Huron Healthcare:					
Revenues	\$ 112,114	\$ 97,812	\$ 328,624	\$ 306,327	
Operating income	\$ 47,609	\$ 27,727	\$ 122,120	\$ 117,422	
Segment operating income as a percentage of segment revenues	42.5	% 28.3	% 37.2	% 38.3	%
Huron Education and Life Sciences:					
Revenues	\$ 42,056	\$ 36,523	\$ 124,892	\$ 107,846	
Operating income	\$ 10,473	\$ 9,459	\$ 35,427	\$ 27,539	
Segment operating income as a percentage of segment revenues	24.9	% 25.9	% 28.4	% 25.5	%
Huron Legal:					
Revenues	\$ 34,416	\$ 46,146	\$ 107,469	\$ 154,417	
Operating income	\$ 9,584	\$ 10,949	\$ 23,461	\$ 39,227	
Segment operating income as a percentage of segment revenues	27.8	% 23.7	% 21.8	% 25.4	%
Huron Business Advisory:					
Revenues	\$ 21,249	\$ 17,142	\$ 59,173	\$ 47,098	
Operating income	\$ 5,231	\$ 4,397	\$ 13,514	\$ 12,081	
Segment operating income as a percentage of segment revenues	24.6	% 25.7	% 22.8	% 25.7	%
All Other:					
Revenues	\$ 46	\$ 426	\$ 1,220	\$ 2,497	
Operating loss	\$(132)	\$(655)	\$(1,654)	\$(1,633)	)
Segment operating loss as a percentage of segment revenues	N/M	N/M	N/M	N/M	
Total Company:					
Revenues	\$ 209,881	\$ 198,049	\$ 621,378	\$ 618,185	
Reimbursable expenses	17,356	18,679	55,900	58,923	
Total revenues and reimbursable expenses	\$ 227,237	\$ 216,728	\$ 677,278	\$ 677,108	
Statements of Earnings reconciliation:					
Segment operating income	\$ 72,765	\$ 51,877	\$ 192,868	\$ 194,636	
Items not allocated at the segment level:					
Other operating expenses and gains	26,946	24,285	85,412	78,879	
Depreciation and amortization expense	8,994	6,315	25,771	18,638	
Other expense, net	6,021	1,932	15,739	4,552	
Income before income tax expense	\$ 30,804	\$ 19,345	\$ 65,946	\$ 92,567	

N/M – Not Meaningful

At September 30, 2015 and December 31, 2014, no single client accounted for greater than 10% of our combined receivables and unbilled services balances. During the three and nine months ended September 30, 2015 and 2014, no single client generated greater than 10% of our consolidated revenues.

15. Subsequent Events

Effective October 1, 2015, we completed our acquisition of the assets of Cloud62, a Buffalo, New York-based provider of business consulting services specializing in Salesforce.com implementations and related cloud-based applications. The results of operations of Cloud62 will be included in the Huron Business Advisory segment.

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

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

Statements in this Quarterly Report on Form 10-Q that are not historical in nature, including those concerning the Company's current expectations about its future requirements and needs, are "forward-looking" statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by words such as "may," "should," "expects," "provides," "anticipates," "assumes," "can," "will," "meets," "could," "likely," "intends," "might," "predicts," "seeks," "would," "believes," "estimates," etc. These forward-looking statements reflect our current expectations about our future requirements and needs, results, levels of activity, performance, or achievements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: failure to achieve expected utilization rates, billing rates, and the number of revenue-generating professionals; inability to expand or adjust our service offerings in response to market demands; our dependence on renewal of client-based services; dependence on new business and retention of current clients and qualified personnel; failure to maintain third-party provider relationships and strategic alliances; inability to license technology to and from third parties; the impairment of goodwill; various factors related to income and other taxes; difficulties in successfully integrating the businesses we acquire and achieving expected benefits from such acquisitions; risks relating to privacy, information security, and related laws and standards; and a general downturn in market conditions. These forward-looking 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, 2014 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. We disclaim any obligation to update or revise any forward-looking statements as a result of new information or future events, or for any other reason.

OVERVIEW

Our Business

We are a leading provider of operational and financial consulting services. We help clients in diverse industries improve performance, transform the enterprise, reduce costs, leverage technology, process and review large amounts of complex data, address regulatory changes, recover from distress, and stimulate growth. Our professionals employ their expertise in finance, operations, strategy, analytics, and technology to provide our clients with specialized analyses and customized advice and solutions that are tailored to address each client's particular challenges and opportunities to deliver sustainable and measurable results. We provide consulting services to a wide variety of both financially sound and distressed organizations, including healthcare organizations, leading academic institutions, Fortune 500 companies, governmental entities, and law firms. We have worked with more than 450 health systems, hospitals, and academic medical centers; more than 400 corporate general counsel; and more than 400 universities and research institutions. We are a Platinum level member of the Oracle PartnerNetwork (OPN), a Workday Services Partner, and a Silver Partner of the Salesforce.com partner network.

We provide our services through five operating segments: Huron Healthcare, Huron Education and Life Sciences, Huron Legal, Huron Business Advisory, and All Other.

Huron Healthcare

Our Huron Healthcare segment provides consulting services to national and regional hospitals and integrated health systems, academic medical centers, community hospitals, and physician practices. We deliver solutions to enhance the ability of our clients to address challenges in the rapidly-evolving healthcare environment and to improve quality,

increase revenue, reduce expenses, and enhance patient, physician, and employee satisfaction across the healthcare enterprise. By partnering with healthcare organizations, we design solutions that teach providers how to achieve cultural transformation and deliver and sustain improvement in clinical outcomes and financial results. Our people provide a depth of expertise across the healthcare industry, and our culture of collaboration extends to our client engagements, enabling teams to effectively implement successful client projects.

#### Huron Education and Life Sciences

Our Huron Education and Life Sciences segment provides management consulting services and software solutions to the higher education, academic medical center, pharmaceutical and medical device, and research industries. We work with our clients to develop and implement performance improvement, technology, and research enterprise solutions to help them

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address challenges relating to financial management, strategy, operational and organizational effectiveness, research administration, and regulatory compliance.

### ✦Huron Legal

Our Huron Legal segment provides consulting and technology-enabled services to assist law departments of major global corporations and their associated law firms with cost and risk reduction and operational efficiency. Our professionals and business solutions focus on four primary areas: electronic discovery and litigation management, law department management, information governance and compliance, and legal analytics. Our clients benefit from the experience of business, discovery, and technical consultants who are experts in the legal, compliance, technology, and management fields.

### ✦Huron Business Advisory

Our Huron Business Advisory segment provides services to the C-suite of middle market and large organizations, lending institutions, law firms, investment banks, and private equity firms. We assist clients in a broad range of industries and across the spectrum from healthy, well-capitalized companies to organizations in transition, creditors, owners, and other key constituents. Also included in the Huron Business Advisory segment is our Enterprise Performance Management and Analytics practice, which delivers solutions that enable organizations to manage and optimize their financial performance, operational efficiency, and client experience. With expertise in full-service enterprise performance management (EPM), business analytics, customer relationship management (CRM), and big data professional services, Huron helps global clients across industries drive results and gain a competitive advantage.

### ✦All Other

Our All Other segment consists of any line of business not managed by our other four operating segments. These businesses include our public sector consulting practice and our foreign consulting operations based in the Middle East, both of which we are in the process of winding down.

### Acquisitions

#### Rittman Mead India

Effective July 1, 2015, we completed our acquisition of Rittman Mead Consulting Private Limited ("Rittman Mead India"), the India affiliate of Rittman Mead Consulting Ltd. Rittman Mead India is a data and analytics consulting firm that specializes in the implementation of enterprise performance management and analytics systems. The acquisition date fair value of the consideration transferred totaled \$1.2 million. Rittman Mead India's results of operations have been included in our consolidated financial statements and the segment operating results of Huron Business Advisory from the date of acquisition.

#### Studer Group

On February 12, 2015, we completed our acquisition of Studer Group in exchange for consideration with a fair value of approximately \$325.2 million, consisting of \$323.2 million in cash and \$2.2 million in Huron common stock, less the receipt of a net working capital adjustment payment of \$0.2 million. The cash portion of the acquisition was funded with available cash on hand and \$102.0 million of borrowings under our senior secured credit facility. Studer Group is a premier professional services firm that assists healthcare providers achieve cultural transformation to deliver and sustain improvement in clinical outcomes and financial results. The acquisition combines our Huron Healthcare segment's performance improvement and clinical transformation capabilities with Studer Group's Evidence-Based Leadership<sup>SM</sup> framework to provide leadership and cultural transformation expertise for healthcare provider clients. Studer Group's results of operations have been included in our consolidated financial statements and the segment operating results of Huron Healthcare from the date of acquisition.

#### Sky Analytics

Effective January 1, 2015, we completed our acquisition of Sky Analytics, Inc. in exchange for consideration with a fair value of approximately \$9.7 million. This included cash of \$8.8 million and contingent consideration with a fair value of \$0.9 million at the acquisition date. Sky Analytics is a Massachusetts-based provider of legal spend management software for corporate law departments. The addition strengthens our Huron Legal segment's law

department management offering and complements our deep consulting expertise. Sky Analytics' results of operations have been included in our consolidated financial statements and the segment operating results of Huron Legal from the date of acquisition.

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### How We Generate Revenues

A large portion of our revenues is generated by our full-time billable consultants who provide consulting services to our clients and are 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, many of whom work variable schedules as needed by our clients. Full-time equivalents include specialized finance and operational consultants, our document review and electronic data discovery groups, our cultural transformation consultants from the Studer Group acquisition, which include coaches and their support staff, and our employees who provide software support and maintenance services to our clients. Our document review and electronic data discovery groups generate revenues primarily based on the number of hours worked and units produced, such as pages reviewed or amount of data processed. We translate the hours that these other professionals work on client engagements into a full-time equivalent measure that we use to manage our business. We refer to our full-time 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. Revenues generated by our coaches are largely dependent on the number of coaches we employ and the total value, scope, and terms of the consulting contracts under which they provide services, which are primarily fixed-fee contracts.

We generate the majority of our revenues from providing professional services under four types of billing arrangements: time-and-expense, fixed-fee (including software license revenue), performance-based, and support and maintenance for the software we deploy.

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 40.5% and 44.6% of our revenues for the three months ended September 30, 2015 and 2014, respectively, and 40.4% and 45.1% of our revenues for the nine months ended September 30, 2015 and 2014, 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 generally recognize revenues under fixed-fee billing arrangements using a proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement.

Fixed-fee arrangements also include our software license and subscription revenue, which is primarily derived from revenue cycle management software, research administration and compliance software, and subscriptions to our cloud-based analytic tools and solutions. Licenses for our revenue cycle management software are 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. License revenue from our research administration and compliance software is generally recognized in the month in which the software is delivered. Subscription revenue from our cloud-based solutions is recognized on a straight-line basis over the term of the customer contract.

Fixed-fee engagements represented 50.7% and 39.6% of our revenues for the three months ended September 30, 2015 and 2014, respectively, and 48.6% and 39.4% of our revenues for the nine months ended September 30, 2015 and 2014, respectively.



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 operational and cost effectiveness in the areas we review. Second, we have performance-based engagements in which we earn a success fee when and if certain pre-defined outcomes occur. Often, performance-based fees supplement our time-and-expense or fixed-fee engagements. We do not recognize revenues under performance-based billing arrangements until all related performance criteria are met. Performance-based fee revenues represented 5.0% and 12.1% of our revenues for the three months ended September 30, 2015 and 2014, respectively, and 7.1% and 12.3% of our revenues for the nine months ended September 30, 2015 and 2014, respectively. Performance-based fee engagements may cause significant variations in quarterly revenues and operating results depending on the timing of achieving the performance-based criteria.

Clients who have purchased one of our software licenses can pay an additional fee for software support and maintenance. The software 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 3.8% and

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3.7% of our revenues for the three months ended September 30, 2015 and 2014, respectively, and 3.9% and 3.2% of our revenues for the nine months ended September 30, 2015 and 2014, respectively.

Our quarterly results are impacted principally by our full-time consultants' utilization rate, the billing rate we charge our clients, the number of our revenue-generating professionals who are available to work, and the amount of performance-based fees recognized, which often vary significantly between quarters. 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 continue to hire highly qualified professionals and have entered into select acquisitions of complementary businesses.

To expand our business, we will remain focused on growing our existing relationships and developing new relationships, execute our managing director compensation plan 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 our investments meet 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. We will continue to focus on reaching our client base through clear, concise, endorsed messages.

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## 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.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Segment and Consolidated Operating Results (in thousands):				
Huron Healthcare:				
Revenues	\$112,114	\$97,812	\$328,624	\$306,327
Operating income	\$47,609	\$27,727	\$122,120	\$117,422
Segment operating income as a percentage of segment revenues	42.5	% 28.3	% 37.2	% 38.3
Huron Education and Life Sciences:				
Revenues	\$42,056	\$36,523	\$124,892	\$107,846
Operating income	\$10,473	\$9,459	\$35,427	\$27,539
Segment operating income as a percentage of segment revenues	24.9	% 25.9	% 28.4	% 25.5
Huron Legal:				
Revenues	\$34,416	\$46,146	\$107,469	\$154,417
Operating income	\$9,584	\$10,949	\$23,461	\$39,227
Segment operating income as a percentage of segment revenues	27.8	% 23.7	% 21.8	% 25.4
Huron Business Advisory:				
Revenues	\$21,249	\$17,142	\$59,173	\$47,098
Operating income	\$5,231	\$4,397	\$13,514	\$12,081
Segment operating income as a percentage of segment revenues	24.6	% 25.7	% 22.8	% 25.7
All Other:				
Revenues	\$46	\$426	\$1,220	\$2,497
Operating loss	\$(132 )	\$(655 )	\$(1,654 )	\$(1,633 )
Segment operating loss as a percentage of segment revenues	N/M	N/M	N/M	N/M
Total Company:				
Revenues	\$209,881	\$198,049	\$621,378	\$618,185
Reimbursable expenses	17,356	18,679	55,900	58,923
Total revenues and reimbursable expenses	\$227,237	\$216,728	\$677,278	\$677,108
Statements of Earnings reconciliation:				
Segment operating income	\$72,765	\$51,877	\$192,868	\$194,636
Items not allocated at the segment level:				
Other operating expenses and gains	26,946	24,285	85,412	78,879
Depreciation and amortization expense	8,994	6,315	25,771	18,638
Total operating income	\$36,825	\$21,277	\$81,685	\$97,119
Other Operating Data (excluding All Other):				
Number of full-time billable consultants (at period end) <sup>(1)</sup> :				
Huron Healthcare	1,084	1,109	1,084	1,109
Huron Education and Life Sciences	458	413	458	413
Huron Legal	89	127	89	127

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Huron Business Advisory	279	197	279	197
Total	1,910	1,846	1,910	1,846
Average number of full-time billable consultants (for the period)				
(1):				
Huron Healthcare	1,078	1,114	1,092	1,057
Huron Education and Life Sciences	444	403	431	417
Huron Legal	92	126	103	131
Huron Business Advisory	261	184	224	171
Total	1,875	1,827	1,850	1,776

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	Three Months Ended September 30, 2015		2014		Nine Months Ended September 30, 2015		2014	
Other Operating Data (continued):								
Full-time billable consultant utilization rate <sup>(2)</sup> :								
Huron Healthcare	81.1	%	74.0	%	76.4	%	78.2	%
Huron Education and Life Sciences	75.2	%	71.3	%	75.9	%	70.4	%
Huron Legal	58.1	%	63.5	%	54.4	%	65.3	%
Huron Business Advisory	79.4	%	65.4	%	75.2	%	69.7	%
Total	78.4	%	71.8	%	74.9	%	74.6	%
Full-time billable consultant average billing rate per hour <sup>(3)</sup> :								
Huron Healthcare	\$204		\$230		\$215		\$243	
Huron Education and Life Sciences	\$227		\$225		\$230		\$217	
Huron Legal	\$231		\$243		\$241		\$242	
Huron Business Advisory <sup>(4)</sup>	\$196		\$277		\$234		\$258	
Total	\$209		\$234		\$222		\$238	
Revenue per full-time billable consultant (in thousands):								
Huron Healthcare	\$77		\$81		\$230		\$270	
Huron Education and Life Sciences	\$80		\$76		\$248		\$216	
Huron Legal	\$60		\$72		\$179		\$218	
Huron Business Advisory	\$77		\$88		\$254		\$261	
Total	\$77		\$80		\$234		\$253	
Average number of full-time equivalents (for the period) <sup>(5)</sup> :								
Huron Healthcare	196		64		171		58	
Huron Education and Life Sciences	49		45		40		43	
Huron Legal	882		1,009		860		1,155	
Huron Business Advisory	10		9		8		8	
Total	1,137		1,127		1,079		1,264	
Revenue per full-time equivalent (in thousands):								
Huron Healthcare	\$148		\$115		\$449		\$357	
Huron Education and Life Sciences	\$133		\$129		\$455		\$413	
Huron Legal	\$33		\$37		\$103		\$109	
Huron Business Advisory	\$112		\$106		\$301		\$294	
Total	\$58		\$45		\$173		\$132	

(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 of 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) The Huron Business Advisory segment includes the operations of Rittman Mead India. Absent the impact of Rittman Mead India, the average billing rate per hour for Huron Business Advisory for the three and nine months ended September 30, 2015 would have been \$245 and \$255 per hour, respectively.

Consists of consultants who work variable schedules as needed by our clients, as well as other professionals who generate revenues primarily based on number of hours worked and units produced, such as pages reviewed and (5) data processed. Also includes our cultural transformation consultants from the Studer Group acquisition, which include coaches and their support staff, and full-time employees who provide software support and maintenance services to our clients.

N/M - Not meaningful

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## 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 earnings before interest, taxes, depreciation and amortization (EBITDA), Adjusted net income, 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 in understanding and evaluating Huron's current operating performance and future prospects in the same manner as management does and in comparing in a consistent manner Huron's current financial results with Huron's past financial results.

The reconciliations of these financial measures from GAAP to non-GAAP are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Revenues	\$209,881	\$198,049	\$621,378	\$618,185	
Net income	\$19,374	\$12,219	\$39,709	\$66,258	
Add back:					
Income tax expense	11,430	7,126	26,237	26,309	
Interest and other expenses	6,021	1,932	15,739	4,552	
Depreciation and amortization	13,790	7,542	38,048	22,256	
Earnings before interest, taxes, depreciation and amortization (EBITDA)	50,615	28,819	119,733	119,375	
Add back:					
Restructuring charges	303	233	2,490	1,396	
Litigation and other (gains) losses	—	(150)	) 524	(590)	)
Adjusted EBITDA	\$50,918	\$28,902	\$122,747	\$120,181	
Adjusted EBITDA as a percentage of revenues	24.3	% 14.6	% 19.8	% 19.4	%
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Net income	\$19,374	\$12,219	\$39,709	\$66,258	
Weighted average shares – diluted	22,592	22,975	22,616	23,052	
Diluted earnings per share	\$0.86	\$0.53	\$1.76	\$2.87	
Add back:					
Amortization of intangible assets	8,333	2,835	21,987	8,265	
Restructuring charges	303	233	2,490	1,396	
Litigation and other (gains) losses	—	(150)	) 524	(590)	)
Non-cash interest on convertible notes	1,795	406	5,324	406	

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Tax effect	(4,110	) (1,330	) (11,948	) (3,791	)
Net tax benefit related to “check-the-box” election	—	—	—	(10,244	)
Total adjustments, net of tax	6,321	1,994	18,377	(4,558	)
Adjusted net income	\$25,695	\$14,213	\$58,086	\$61,700	
Adjusted diluted earnings per share	\$1.14	\$0.62	\$2.57	\$2.68	

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

**Restructuring charges:** We have incurred charges due to the restructuring of various parts of our business. These restructuring charges have primarily consisted of costs associated with office space consolidations, including the accelerated depreciation of certain leasehold improvements, and severance charges. We have excluded the effect of the restructuring charges from our non-GAAP measures because the amount of each restructuring charge is significantly affected by the timing and size of the restructured business or component of a business.

**Litigation and other (gains) losses:** We have excluded the effect of the litigation accrual, net of related insurance recoveries, and the remeasurement gains related to contingent consideration liabilities for business acquisitions to permit comparability with periods that were not impacted by these items.

**Amortization of intangible assets:** We have excluded the effect of amortization of intangible assets from the calculation of Adjusted net income presented above. Amortization of intangibles is inconsistent in its amount and frequency and is significantly affected by the timing and size of our acquisitions.

**Non-cash interest on convertible notes:** We incur non-cash interest expense relating to the implied value of the equity conversion component of our Convertible Notes. The value of the equity conversion component is treated as a debt discount and amortized to interest expense over the life of the Convertible Notes using the effective interest rate method. We exclude this non-cash interest expense that does not represent cash interest payments made to our note holders from the calculation of Adjusted net income.

**Tax effect:** The non-GAAP income tax adjustment reflects the incremental tax rate applicable to the non-GAAP adjustments.

**Net tax benefit related to “check-the-box” election:** We have excluded the effect of the net tax benefit from our “check-the-box” election to treat one of our wholly-owned foreign subsidiaries as a disregarded entity for U.S. federal income tax purposes during the first quarter of 2014 because its exclusion permits comparability with periods that were not impacted by this item.

**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 meaningful earnings from core operations excluding the effect of such items.

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## Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

## Revenues

Revenues increased \$11.8 million, or 6.0%, to \$209.9 million for the third quarter of 2015 from \$198.0 million for the third quarter of 2014. Third quarter 2015 revenues included \$23.2 million of incremental revenues from our acquisitions of Studer Group, Sky Analytics, Inc., Threshold Consulting, Inc., and Rittman Mead India.

Of the overall \$11.8 million increase in revenues, \$14.4 million was attributable to an increase in revenue from our full-time equivalents, partially offset by a \$2.6 million decrease in revenue from our full-time billable consultants.

The increase in revenue attributable to full-time equivalents primarily reflected the revenue generated by our healthcare coaches in the Huron Healthcare segment, which was the result of our acquisition of Studer Group during the first quarter of 2015, partially offset by a decrease in demand for our discovery services in the Huron Legal segment.

The decrease in full-time billable consultant revenues was driven by a decrease in the average billing rate, partially offset by increases in consultant utilization rate and average number of billable consultants. As discussed below in Segment Results, this decrease in revenue primarily reflected lower revenues from full-time billable consultants in our Huron Healthcare segment, which was primarily related to lower performance-based fees and a decrease in revenue in our performance improvement practice, both compared to the prior year, and decreased demand for our services in our Huron Legal segment, partially offset by strengthened demand for our services in the Huron Education and Life Sciences and Huron Business Advisory segments.

## Total Direct Costs

Our total direct costs decreased \$10.7 million, or 8.2%, to \$120.4 million in the three months ended September 30, 2015, from \$131.1 million in the three months ended September 30, 2014. The decrease primarily related to a \$17.6 million decrease in bonus expense for our revenue-generating professionals and a \$2.1 million decrease in contractor expense. These decreases were partially offset by a \$3.6 million increase in intangible asset amortization expense, a \$3.2 million increase in salaries and related expenses for our revenue-generating professionals, and a \$1.0 million increase in product and event costs. As a percentage of revenues, our total direct costs decreased to 57.4% during the third quarter of 2015 compared to 66.2% during the third quarter of 2014. This decrease primarily reflected the decreases in bonus expense for our revenue-generating professionals and contractor expense, as well as revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals, partially offset by increases in intangible asset amortization expense and product and event costs as percentages of revenue.

Total direct costs for the three months ended September 30, 2015 included \$3.6 million of share-based compensation expense for our revenue-generating professionals compared to \$3.9 million for the same prior year period. Total direct costs for the three months ended September 30, 2015 included \$4.8 million of amortization expense for intangible assets and software development costs, primarily representing customer-related assets and software acquired in business combinations, compared to \$1.2 million of amortization expense for the same prior year period. The \$3.6 million increase in amortization expense was primarily attributable to \$4.0 million of amortization of intangible assets acquired in the Studer Group acquisition, which we completed during the first quarter of 2015, partially offset by an intangible asset that became fully amortized during 2014.

## Operating Expenses and Other Operating Gains and Losses

Selling, general and administrative expenses increased \$4.4 million, or 11.1%, to \$43.6 million in the third quarter of 2015 from \$39.3 million in the third quarter of 2014. Selling, general and administrative expenses for the third quarter of 2015 included \$6.6 million from Studer Group. The \$4.4 million increase was primarily related to a \$1.9 million increase in salaries and related expenses for our support personnel, a \$0.9 million increase in facilities and other office related expenses, a \$0.7 million increase in legal expenses, a \$0.5 million increase in recruiting expenses, and a \$0.4 million increase in outside professional services fees, partially offset by a \$1.3 million decrease in bonus expense for our support personnel. As a percentage of revenues, selling, general and administrative expenses increased to 20.8%

during the third quarter of 2015 compared to 19.8% during the third quarter of 2014 primarily due to the items described above.

Depreciation and amortization expense increased by \$2.7 million to \$9.0 million in the three months ended September 30, 2015, from \$6.3 million in the three months ended September 30, 2014. The increase was primarily attributable to \$2.1 million of amortization expense for intangible assets acquired in the Studer Group acquisition. Intangible asset amortization included within operating expenses relates to certain customer relationships, non-competition agreements, trade names, and licenses acquired in connection with our business acquisitions.

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## Operating Income

Operating income increased \$15.5 million, or 73.1%, to \$36.8 million in the third quarter of 2015 from \$21.3 million in the third quarter of 2014. Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 17.5% in the three months ended September 30, 2015, compared to 10.7% in the three months ended September 30, 2014. The increase in operating margin was primarily attributable to the decrease in bonus expense for both our revenue-generating professionals and support personnel and the decrease in contractor expense, as well as revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals during the third quarter of 2015 compared to the same period last year. The favorable impact of these items was partially offset by the increases in intangible asset amortization expense, product and event costs, facilities and other office related expenses, and legal expenses, all as percentages of revenues, during the third quarter of 2015 compared to the same prior year period.

## Other Expense, Net

Total other expense, net increased by \$4.1 million to \$6.0 million in the third quarter of 2015 from \$1.9 million in the third quarter of 2014. The increase was primarily attributable to a \$2.8 million increase in interest expense due to our Convertible Notes issued in September 2014 and interest expense resulting from higher levels of borrowings under our credit facility. For the three months ended September 30, 2015, cash interest expense related to the coupon of the Convertible Notes was \$0.8 million and the non-cash interest expense related to the amortization of the debt discount and amortization of debt issuance costs totaled \$2.1 million. For the year ending December 31, 2015, we expect interest expense related to the coupon of the Convertible Notes to be \$3.1 million and interest expense for the amortization of the debt discount and debt issuance costs related to the Convertible Notes to be \$8.3 million.

## Income Tax Expense

For the third quarter of 2015, we recognized income tax expense of \$11.4 million on income of \$30.8 million. For the third quarter of 2014, we recognized income tax expense of \$7.1 million on income of \$19.3 million. Our effective tax rate for the third quarter of 2015 was 37.1% compared with 36.8% for the same period last year. The effective tax rate for the three months ended September 30, 2015 was in line with the statutory rate, inclusive of state income taxes, with the negative impact of certain non-deductible business expenses and foreign losses with no tax benefit largely offset by certain credits and deductions. The effective tax rate for the three months ended September 30, 2014 was lower than the statutory rate, inclusive of state income taxes, primarily due to the favorable settlement of the IRS audit for years 2009, 2010, and 2011.

## Net Income

Net income was \$19.4 million for the three months ended September 30, 2015, compared to net income of \$12.2 million for the same period last year. As a result of the increase in net income, diluted earnings per share for the third quarter of 2015 was \$0.86 compared to \$0.53 for the third quarter of 2014.

## EBITDA and Adjusted EBITDA

EBITDA increased \$21.8 million to \$50.6 million for the three months ended September 30, 2015, from \$28.8 million for the three months ended September 30, 2014. Adjusted EBITDA increased \$22.0 million to \$50.9 million in the third quarter of 2015 from \$28.9 million in the third quarter of 2014. The increase in both EBITDA and Adjusted EBITDA was primarily due to the increase in segment operating income, as discussed below in Segment Results.

## Adjusted Net Income

Adjusted net income increased \$11.5 million to \$25.7 million in the third quarter of 2015 compared to \$14.2 million in the third quarter of 2014. The increase was primarily attributable to the increase in operating income, partially offset by the higher tax expense and the increase in interest expense during the third quarter of 2015 compared to the third quarter of 2014. As a result of the increase in adjusted net income, adjusted diluted earnings per share for the third quarter of 2015 was \$1.14 compared to \$0.62 for the third quarter of 2014.

## Segment Results

Huron Healthcare

Revenues

Huron Healthcare segment revenues increased \$14.3 million, or 14.6%, to \$112.1 million for the third quarter of 2015 from \$97.8 million for the third quarter of 2014. Revenues for the third quarter of 2015 included \$22.3 million of incremental revenues from our

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acquisition of Studer Group. During the three months ended September 30, 2015, revenues from time-and-expense engagements, fixed-fee engagements, performance-based arrangements, and software support and maintenance arrangements represented 7.4%, 78.7%, 8.8%, and 5.1% of this segment's revenues, respectively, compared to 7.9%, 66.9%, 19.6%, and 5.6%, respectively, for the comparable period in 2014.

Of the overall \$14.3 million increase in revenues, \$21.6 million was attributable to an increase in revenue from our full-time equivalents, partially offset by a \$7.3 million decrease in revenue attributable to our full-time billable consultants.

The increase in revenue attributable to our full-time equivalents reflected increases in both the average number of full-time equivalents and revenue per full-time equivalent in the third quarter of 2015 compared to the same prior year period, and is primarily the result of our Studer Group acquisition.

The decrease in revenue attributable to our full-time billable consultants reflected decreases in the average billing rate and the average number of full-time billable consultants, partially offset by an increase in consultant utilization rate.

This decrease in revenue was primarily related to lower performance-based fees and a decrease in revenue in our performance improvement practice, both compared to the prior year. Performance-based fee revenue was \$9.9 million during the third quarter of 2015 compared to \$19.0 million during the third quarter of 2014. The level of performance-based fees earned may vary based on our clients' risk sharing preferences and the mix of services we provide. Performance-based fee arrangements may cause significant variations in revenues, operating results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria.

Operating Income

Huron Healthcare segment operating income increased \$19.9 million, or 71.7%, to \$47.6 million for the three months ended September 30, 2015, from \$27.7 million for the three months ended September 30, 2014. The Huron Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, increased to 42.5% for the third quarter of 2015 from 28.3% in the same period last year. The increase in this segment's operating margin was primarily attributable to a decrease in bonus expense for our revenue-generating professionals, as well as revenue growth that outpaced an increase in salaries and related expenses for our revenue-generating professionals, and was partially offset by increases, as percentages of revenues, in intangible asset amortization expense related to our Studer Group acquisition, salaries and related expenses for our support personnel, and product and event costs.

Huron Education and Life Sciences

Revenues

Huron Education and Life Sciences segment revenues increased \$5.5 million, or 15.1%, to \$42.1 million for the third quarter of 2015 from \$36.5 million for the third quarter of 2014. For the three months ended September 30, 2015, revenues from time-and-expense engagements, fixed-fee engagements, and software support and maintenance arrangements represented 62.5%, 32.5%, and 5.0% of this segment's revenues, respectively, compared to 71.3%, 23.9%, and 4.8%, respectively, for the comparable period in 2014.

Of the overall \$5.5 million increase in revenues, \$4.7 million was attributable to our full-time billable consultants and \$0.8 million was attributable to our full-time equivalents. The overall increase in revenues was driven by strong demand across all practices within this segment. The increase in revenue from our full-time billable consultants reflected increases in the average number of full-time billable consultants, consultant utilization rate, and average billing rate. The increase in revenue from our full-time equivalents reflected increases in the average number of full-time equivalents and revenue per full-time equivalent.

Operating Income

Huron Education and Life Sciences segment operating income increased by \$1.0 million, or 10.7%, to \$10.5 million for the three months ended September 30, 2015, from \$9.5 million for the three months ended September 30, 2014. Segment operating margin decreased to 24.9% for the third quarter of 2015 from 25.9% in the same period last year. The decrease in this segment's operating margin was primarily attributable to an increase in bonus expense for our

revenue-generating professionals and increased project costs, both as a percentage of revenues, largely offset by a decrease in contractor expense and revenue growth that outpaced an increase in salaries and related expenses for both our revenue-generating professionals and support personnel.

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## Huron Legal

## Revenues

Huron Legal segment revenues decreased \$11.7 million, or 25.4%, to \$34.4 million for the third quarter of 2015 from \$46.1 million for the third quarter of 2014. Revenues from time-and-expense engagements, fixed-fee engagements, and software support and maintenance arrangements represented 95.7%, 3.9%, and 0.4% of this segment's revenues, respectively, during the three months ended September 30, 2015. During the comparable period in 2014, revenues from time-and-expense engagements, fixed-fee engagements, and performance-based arrangements represented 92.3%, 2.8%, and 4.9% of this segment's revenues, respectively.

Of the overall \$11.7 million decrease in revenues, \$8.1 million was attributable to a decrease in revenue generated by our full-time equivalents and \$3.6 million was attributable to a decrease in revenue generated by our full-time billable consultants. The decrease in revenue attributable to our full-time equivalents, which was the result of decreased demand for our discovery services as discussed below, reflected decreases in the average number of full-time equivalents and revenue per full-time equivalent. The decrease in full-time billable consultant revenue reflected decreases in the average number of full-time billable consultants, consultant utilization rate, and the average billing rate.

## Operating Income

Huron Legal segment operating income decreased \$1.4 million, or 12.5%, to \$9.6 million for the three months ended September 30, 2015, from \$10.9 million for the three months ended September 30, 2014. The Huron Legal segment operating margin increased to 27.8% for the third quarter of 2015 from 23.7% in the same period last year. The increase in this segment's operating margin was primarily attributable to decreases, as a percentage of revenue, in bonus expense for both our revenue-generating professionals and support personnel and in salaries and related expenses for our revenue-generating professionals, partially offset by increases, as a percentage of revenue, in contractor expense, salaries and related expenses for our support personnel, and technology expenses during the third quarter of 2015 compared to the same prior year period.

As previously disclosed, Huron Legal revenue and operating income for the fourth quarter of 2014 and first quarter of 2015 were significantly lower than each of the first three quarters of 2014, stemming largely from a more sudden than anticipated downturn in business resulting from client settlements of government investigations related to the credit crisis. To improve the segment's financial performance, the Huron Legal segment leadership team undertook several initiatives to increase sales of their service offerings and reduce expenses. As a result, Huron Legal financial performance for the second and third quarters of 2015 improved compared to the fourth quarter of 2014 and the first quarter of 2015. We believe that the services provided by the Huron Legal segment remain relevant in the marketplace and expect performance to continue to improve during the remainder of 2015. We will perform our annual goodwill impairment analysis as of November 30, 2015; in the event that the segment's performance does not continue to improve in line with our expectations during the remainder of 2015, we may be required to take an impairment charge as a result of this annual test. For a discussion of our first quarter 2015 interim goodwill impairment test, see "Critical Accounting Policies—Carrying Values of Goodwill and Other Intangible Assets" below.

## Huron Business Advisory

## Revenues

Huron Business Advisory segment revenues increased \$4.1 million, or 24.0%, to \$21.2 million for the third quarter of 2015 from \$17.1 million for the third quarter of 2014. Revenues from time-and-expense engagements, fixed-fee engagements, performance-based arrangements, and software support and maintenance arrangements represented 81.4%, 15.8%, 2.4%, and 0.4% of this segment's revenues, respectively, during the third quarter of 2015. Revenues from time-and-expense engagements, fixed-fee engagements, and performance-based arrangements represented 68.8%, 15.6%, and 15.6% of this segment's revenues, respectively, during the third quarter of 2014.

Performance-based fee revenue was \$0.5 million for the third quarter of 2015, of which \$0.3 million was generated by Huron Transaction Advisory LLC, our registered broker-dealer established in the first quarter of 2014.



Performance-based fee revenue was \$2.7 million for the third quarter of 2014, of which \$2.5 million was generated by Huron Transaction Advisory LLC. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide. Performance-based fee arrangements may cause significant variations in revenues, operating results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria.

The \$4.1 million increase in revenues for Huron Business Advisory was primarily attributable to an increase in revenue generated by our full-time billable consultants. The increase in revenue from our full-time billable consultants reflected increases in the average number of full-time billable consultants and consultant utilization rate, partially offset by a decrease in the average billing rate. The decrease in the average billing rate was largely the result of our acquisition of Rittman Mead India.

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## Operating Income

Huron Business Advisory segment operating income increased by \$0.8 million, or 19.0%, to \$5.2 million for the three months ended September 30, 2015, from \$4.4 million for the three months ended September 30, 2014. Segment operating margin decreased to 24.6% for the third quarter of 2015 from 25.7% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases, as a percentage of revenues, in salaries and related expenses for both our revenue-generating professionals and support personnel, severance expense, and intangible asset amortization expense, partially offset by a decrease in bonus expenses for our revenue-generating professionals.

## Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

## Revenues

Revenues increased \$3.2 million, or 0.5%, to \$621.4 million for the first nine months of 2015 from \$618.2 million for the first nine months of 2014. Revenues for the first nine months of 2015 included \$68.5 million of incremental revenues from our acquisitions of Studer Group, Vonlay, LLC, Sky Analytics, Inc., Threshold Consulting, Inc., and Rittman Mead India. Revenues for the first half of 2015 were negatively impacted by a \$0.8 million charge related to the fair value adjustment of deferred revenue acquired in the Studer Group acquisition. We do not expect to incur any additional charges related to this adjustment as the \$0.8 million charge reflects the total fair value adjustment. Of the overall \$3.2 million increase in revenues, \$19.3 million was attributable to an increase in revenue generated by our full-time equivalents, partially offset by a \$16.1 million decrease in revenue from our full-time billable consultants.

The increase in revenue attributable to full-time equivalents primarily reflected the revenue generated by our healthcare coaches in the Huron Healthcare segment, which was the result of our acquisition of Studer Group during the first quarter of 2015, largely offset by a decrease in demand for our discovery services in the Huron Legal segment.

The decrease in full-time billable consultant revenues was driven by a decrease in the average billing rate, partially offset by increases in the average number of billable consultants and consultant utilization rate. As discussed below in Segment Results, this decrease in revenue primarily reflected lower revenues from full-time billable consultants in our Huron Healthcare segment, which was largely driven by lower performance-based fees, a decrease in revenue in our performance improvement practice, and project timing, all compared to the prior year, and decreased demand for our services in our Huron Legal segment, partially offset by strengthened demand for our services in the Huron Education and Life Sciences and Huron Business Advisory segments.

## Total Direct Costs

Our total direct costs decreased \$3.1 million, or 0.8%, to \$378.4 million in the nine months ended September 30, 2015, from \$381.4 million in the nine months ended September 30, 2014. The decrease primarily related to a \$19.7 million decrease in bonus expense for our revenue-generating professionals and a \$13.1 million decrease in contractor expense, largely offset by a \$19.1 million increase in salaries and related expenses for our revenue-generating professionals, an \$8.6 million increase in intangible asset amortization expense, and a \$2.1 million increase in product and event costs. As a percentage of revenues, our total direct costs decreased to 60.9% during the first nine months of 2015 compared to 61.7% during the first nine months of 2014 due to the items described above.

Total direct costs for the nine months ended September 30, 2015 included \$12.6 million of share-based compensation expense for our revenue-generating professionals compared to \$11.7 million for the same prior year period.

Share-based compensation expense increased as the value of awards granted during the first half of 2015 was greater than the value of prior year awards that became fully vested during 2014 and the first half of 2015. Total direct costs for the nine months ended September 30, 2015 included \$12.3 million of amortization expense for intangible assets and software development costs, primarily representing customer-related assets and software acquired in business combinations, compared to \$3.6 million of amortization expense for the same prior year period. The \$8.7 million

increase in amortization expense was primarily attributable to \$9.9 million of amortization of intangible assets acquired in the Studer Group acquisition during the first quarter of 2015, partially offset by an intangible asset that became fully amortized during 2014.

**Operating Expenses and Other Operating Gains and Losses**

Selling, general and administrative expenses increased \$12.5 million, or 10.4%, to \$132.6 million in the nine months ended September 30, 2015, from \$120.1 million in the nine months ended September 30, 2014. Selling, general and administrative expenses for the first nine months of 2015 included \$16.8 million from Studer Group. The \$12.5 million increase was primarily related to an \$8.7 million increase in salaries and related expenses for our support personnel, a \$2.5 million increase in facilities and other office related expenses, a \$1.1 million increase in legal expenses, a \$1.0 million increase in outside professional services expenses, and a

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\$0.8 million increase in computer equipment and supplies. These increases were partially offset by a \$3.7 million decrease in bonus expense for our support personnel. As a percentage of revenues, selling, general and administrative expenses increased to 21.3% during the first nine months of 2015 compared to 19.4% during the first nine months of 2014 primarily due to the items described above. We incurred \$2.0 million of transaction and acquisition-related costs during the first nine months of 2015, of which \$1.2 million was associated with the Studer Group acquisition. Restructuring charges for the first nine months of 2015 totaled \$2.5 million, which consisted of \$2.2 million related to workforce reductions to better align our resources with market demand and \$0.3 million related to consolidation of office space. Of the \$2.5 million pretax charge, \$1.2 million related to our Huron Legal segment, \$1.1 million related to our All Other segment as we continue to wind down our public sector consulting practice and our foreign consulting operations based in the Middle East, and \$0.2 million related to our corporate operations. During the first nine months of 2014, we incurred a \$1.4 million pretax restructuring charge, which primarily consisted of a \$1.2 million charge related to the consolidation of office spaces in Chicago, New York, and London. Of the total \$1.2 million charge, \$0.8 million related to the accrual of our remaining lease obligations at vacated spaces, net of estimated sublease income, and \$0.4 million related to accelerated depreciation of assets disposed of as a result of the space consolidation. The vacated locations in Chicago and New York were acquired as part of business acquisitions during 2013 and 2014.

Litigation and other losses totaled \$0.5 million for the first nine months of 2015 compared to a gain of \$0.6 million during the same prior year period. During the second quarter of 2015, we recorded a net litigation accrual of \$0.8 million related to a pending legal matter, which is discussed in more detail in Note 13 "Commitments, Contingencies and Guarantees" within the notes to the consolidated financial statements. During the first quarter of 2015, we recorded a remeasurement gain of \$0.3 million related to a decrease in the fair value of a contingent consideration liability incurred in connection with a business acquisition. During the first nine months of 2014, we recorded remeasurement gains totaling \$0.6 million related to a decrease in the fair value of a contingent consideration liability incurred in connection with another business acquisition.

Depreciation and amortization expense increased by \$7.1 million to \$25.8 million in the nine months ended September 30, 2015, from \$18.6 million in the nine months ended September 30, 2014. The increase was primarily attributable to \$5.2 million of amortization expense for intangible assets acquired in the Studer Group acquisition and a \$2.0 million increase in depreciation expense primarily related to the depreciation of network and server equipment placed into service during the first nine months of 2015 and fixed assets acquired in the Studer Group acquisition. Intangible asset amortization included within operating expenses relates to certain customer relationships, non-competition agreements, trade names, and licenses acquired in connection with our business acquisitions.

**Operating Income**

Operating income decreased \$15.4 million, or 15.9%, to \$81.7 million in the first nine months of 2015 from \$97.1 million in the first nine months of 2014. Operating margin decreased to 13.1% in the nine months ended September 30, 2015, compared to 15.7% in the nine months ended September 30, 2014. The decrease in operating margin was primarily attributable to the increases in salaries and related expenses for both our revenue-generating professionals and support personnel during the first nine months of 2015, as well as the increases in intangible asset amortization expense, facilities and other office related expenses, and depreciation expense, all as percentages of revenues, during the first nine months of 2015 compared to the same prior year period. The unfavorable impact of these items was partially offset by the decreases in bonus expense for both our revenue-generating professionals and support personnel and contractor expense during the first nine months of 2015.

**Other Expense, Net**

Total other expense, net increased by \$11.2 million to \$15.7 million in the first nine months of 2015 from \$4.6 million in the first nine months of 2014. The increase was primarily attributable to a \$9.0 million increase in interest expense and a \$1.3 million increase in foreign currency transaction losses. The increase in interest expense was due to our Convertible Notes issued in September 2014 and interest expense resulting from higher levels of borrowings under

our credit facility. For the nine months ended September 30, 2015, cash interest expense related to the coupon of the Convertible Notes was \$2.3 million and the non-cash interest expense related to the amortization of the debt discount and amortization of debt issuance costs totaled \$6.2 million. For the year ending December 31, 2015, we expect interest expense related to the coupon of the Convertible Notes to be \$3.1 million and interest expense for the amortization of the debt discount and debt issuance costs related to the Convertible Notes to be \$8.3 million.

#### Income Tax Expense

For the nine months ended September 30, 2015, we recognized income tax expense of \$26.2 million on income of \$65.9 million. For the nine months ended September 30, 2014, we recognized income tax expense of \$26.3 million on income of \$92.6 million. Our effective tax rate for the first nine months of 2015 was 39.8% compared with 28.4% for the same period last year. The effective tax rate for the nine months ended September 30, 2015 was higher than the statutory rate, inclusive of state income taxes, primarily due to

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certain non-deductible business expenses and foreign losses with no tax benefit, partially offset by certain credits and deductions. The effective tax rate for the nine months ended September 30, 2014 was lower than the statutory rate, inclusive of state income taxes, primarily due to the impact of a tax election made in the first quarter of 2014 to classify one of our wholly-owned foreign subsidiaries as a disregarded entity for U.S. federal income tax purposes (commonly referred to as a “check-the-box” election). As a result of this election, we expect to realize an income tax benefit of \$13.8 million, of which \$2.4 million is unrecognized, resulting in a net recognized tax benefit of \$11.4 million during the quarter. This recognized benefit was partially offset by \$1.2 million in expenses related to the establishment of a valuation allowance for certain foreign tax credits and increased deferred tax liabilities as a result of the aforementioned election.

Net Income

Net income was \$39.7 million for the nine months ended September 30, 2015, compared to net income of \$66.3 million for the same period last year. The \$26.5 million decrease in net income was primarily due to the decrease in operating income and the increase in interest expense, as discussed above. As a result of the decrease in net income, diluted earnings per share for the first nine months of 2015 was \$1.76 compared to \$2.87 for the first nine months of 2014.

EBITDA and Adjusted EBITDA

EBITDA increased \$0.4 million to \$119.7 million for the nine months ended September 30, 2015, from \$119.4 million for the nine months ended September 30, 2014. Adjusted EBITDA increased \$2.6 million to \$122.7 million in the first nine months of 2015 from \$120.2 million in the first nine months of 2014.

Adjusted Net Income

Adjusted net income decreased \$3.6 million to \$58.1 million in the first nine months of 2015 compared to \$61.7 million in the first nine months of 2014. As a result of the decrease in adjusted net income, adjusted diluted earnings per share for the first nine months of 2015 was \$2.57 compared to \$2.68 for the first nine months of 2014.

Segment Results

Huron Healthcare

Revenues

Huron Healthcare segment revenues increased \$22.3 million, or 7.3%, to \$328.6 million for the first nine months of 2015 from \$306.3 million for the first nine months of 2014. Revenues for the first nine months of 2015 included \$66.7 million of incremental revenues from our acquisitions of Studer Group and Vonlay, LLC. During the nine months ended September 30, 2015, revenues from time-and-expense engagements, fixed-fee engagements, performance-based arrangements, and software support and maintenance arrangements represented 7.5%, 75.0%, 12.1%, and 5.4% of this segment’s revenues, respectively, compared to 5.1%, 67.3%, 22.8%, and 4.8%, respectively, for the comparable period in 2014.

Of the overall \$22.3 million increase in revenues, \$56.2 million was attributable to an increase in revenue from our full-time equivalents, partially offset by a \$33.9 million decrease in revenue attributable to our full-time billable consultants.

The increase in revenue attributable to our full-time equivalents reflected increases in both the average number of full-time equivalents and revenue per full-time equivalent in the first nine months of 2015 compared to the same prior year period, and is primarily the result of our Studer Group acquisition.

The decrease in revenue attributable to our full-time billable consultants reflected decreases in the average billing rate and consultant utilization rate, partially offset by an increase in the average number of full-time billable consultants. This decrease in revenue was largely driven by lower performance-based fees, a decrease in revenue in our performance improvement practice, and project timing, all compared to the prior year. Performance-based fee revenue was \$39.7 million during the first nine months of 2015 compared to \$69.9 million during the first nine months of 2014. The level of performance-based fees earned may vary based on our clients’ risk sharing preferences and the mix of services we provide. Performance-based fee arrangements may cause significant variations in revenues, operating

results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria.

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## Operating Income

Huron Healthcare segment operating income increased \$4.7 million, or 4.0%, to \$122.1 million for the nine months ended September 30, 2015, from \$117.4 million for the nine months ended September 30, 2014. The Huron Healthcare segment operating margin decreased to 37.2% for the first nine months of 2015 from 38.3% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases as a percentage of revenues in salaries and related expenses for our revenue-generating professionals, salaries and related expenses and bonus expense for our support personnel, intangible asset amortization expense related to our acquisition of Studer Group, and product and event costs during the first nine months of 2015 compared to the same prior year period. The unfavorable impact of these items was largely offset by a decrease in bonus expense for our revenue-generating professionals during the first nine months of 2015 compared to the same prior year period.

## Huron Education and Life Sciences

## Revenues

Huron Education and Life Sciences segment revenues increased \$17.0 million, or 15.8%, to \$124.9 million for the first nine months of 2015 from \$107.8 million for the first nine months of 2014. For the nine months ended September 30, 2015, revenues from time-and-expense engagements, fixed-fee engagements, software support and maintenance arrangements, and performance-based arrangements represented 61.7%, 33.3%, 4.6%, and 0.4% of this segment's revenues, respectively. For the nine months ended September 30, 2014, revenues from time-and-expense engagements, fixed-fee engagements, and software support and maintenance arrangements represented 71.2%, 24.3%, and 4.5% of this segment's revenues, respectively.

Of the overall \$17.0 million increase in revenues, \$16.5 million was attributable to our full-time billable consultants and \$0.5 million was attributable to our full-time equivalents. The overall increase in revenues was driven by strong demand across all practices within this segment. The increase in revenue from our full-time billable consultants reflected increases in the consultant utilization rate, average billing rate, and average number of full-time billable consultants. The increase in revenue from our full-time equivalents reflected an increase in revenue per full-time equivalent, partially offset by a decrease in the average number of full-time equivalents.

## Operating Income

Huron Education and Life Sciences segment operating income increased by \$7.9 million, or 28.6%, to \$35.4 million for the nine months ended September 30, 2015, from \$27.5 million for the nine months ended September 30, 2014. The Huron Education and Life Sciences segment operating margin increased to 28.4% for the first nine months of 2015 from 25.5% in the same period last year. The increase in this segment's operating margin was primarily attributable to revenue growth that outpaced the increase in salaries and related expenses for both our revenue-generating professionals and support personnel, as well as decreases in contractor expense and promotion and sponsorship expenses, partially offset by an increase in bonus expense for our revenue-generating professionals and support personnel as a percentage of revenues.

## Huron Legal

## Revenues

Huron Legal segment revenues decreased \$46.9 million, or 30.4%, to \$107.5 million for the first nine months of 2015 from \$154.4 million for the first nine months of 2014. Revenues from time-and-expense engagements, fixed-fee engagements, and software support and maintenance arrangements represented 96.1%, 3.5%, and 0.4% of this segment's revenues, respectively, during the nine months ended September 30, 2015. During the comparable period of 2014, revenues from time-and-expense engagements, fixed-fee engagements, performance-based arrangements, and software support and maintenance arrangements represented 95.9%, 2.5%, 1.5%, and 0.1% of this segment's revenues, respectively.

Of the overall \$46.9 million decrease in revenues, \$36.8 million was attributable to a decrease in revenue generated by our full-time equivalents and \$10.1 million was attributable to a decrease in revenue generated by our full-time billable consultants. The decrease in revenue attributable to our full-time equivalents, which was the result of



decreased demand for our discovery services as discussed below, primarily reflected a decrease in the average number of full-time equivalents, as well as a decrease in revenue per full-time equivalent. The decrease in full-time billable consultant revenue reflected decreases in the average number of full-time billable consultants and consultant utilization rate.

#### Operating Income

Huron Legal segment operating income decreased \$15.8 million, or 40.2%, to \$23.5 million for the nine months ended September 30, 2015, from \$39.2 million for the nine months ended September 30, 2014. The Huron Legal segment operating margin decreased to 21.8% for the first nine months of 2015 from 25.4% in the same period last year. The decrease in this segment's operating margin was

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primarily attributable to increases, as percentages of revenues, in salaries and related expenses for both our revenue-generating professionals and support personnel, technology expenses, and contractor expense, as well as increases in rent and utilities expenses for our discovery centers and restructuring expenses. The unfavorable impact of these items was partially offset by a decrease in bonus expense for our revenue-generating professionals and support personnel as a percentage of revenues.

As previously disclosed, Huron Legal revenue and operating income for the fourth quarter of 2014 and first quarter of 2015 were significantly lower than each of the first three quarters of 2014, stemming largely from a more sudden than anticipated downturn in business resulting from client settlements of government investigations related to the credit crisis. To improve the segment's financial performance, the Huron Legal segment leadership team undertook several initiatives to increase sales of their service offerings and reduce expenses. As a result, Huron Legal financial performance for the second and third quarters of 2015 improved compared to the fourth quarter of 2014 and the first quarter of 2015. We believe that the services provided by the Huron Legal segment remain relevant in the marketplace and expect performance to continue to improve during the remainder of 2015. We will perform our annual goodwill impairment analysis as of November 30, 2015; in the event that the segment's performance does not continue to improve in line with our expectations during the remainder of 2015, we may be required to take an impairment charge as a result of this annual test. For a discussion of our first quarter 2015 interim goodwill impairment test, see "Critical Accounting Policies—Carrying Values of Goodwill and Other Intangible Assets" below.

#### Huron Business Advisory

##### Revenues

Huron Business Advisory segment revenues increased \$12.1 million, or 25.6%, to \$59.2 million for the first nine months of 2015 from \$47.1 million for the first nine months of 2014. Revenues from time-and-expense engagements, fixed-fee engagements, performance-based arrangements, and software support and maintenance arrangements represented 77.8%, 15.2%, 6.6%, and 0.4% of this segment's revenues, respectively, during the first nine months of 2015. Revenues from time-and-expense engagements, fixed-fee engagements, and performance-based arrangements represented 78.8%, 14.1%, and 7.1% of this segment's revenues, respectively, during the first nine months of 2014. Performance-based fee revenue was \$3.9 million for the first nine months of 2015, of which \$2.0 million was generated by Huron Transaction Advisory LLC, our registered broker-dealer. Performance-based fee revenue was \$3.3 million for the first nine months of 2014, of which \$2.5 million was generated by Huron Transaction Advisory LLC. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide. Performance-based fee arrangements may cause significant variations in revenues, operating results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria. The \$12.1 million increase in revenues was attributable to an increase in revenue generated by our full-time billable consultants. This revenue growth reflected increases in the average number of full-time billable consultants and consultant utilization rate, partially offset by a decrease in the average billing rate. The decrease in the average billing rate was largely the result of our acquisition of Rittman Mead India.

##### Operating Income

Huron Business Advisory segment operating income increased by \$1.4 million, or 11.9%, to \$13.5 million for the nine months ended September 30, 2015, from \$12.1 million for the nine months ended September 30, 2014. The Huron Business Advisory segment operating margin decreased to 22.8% for the first nine months of 2015 from 25.7% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases, as a percentage of revenues, in salaries and related expenses for both our revenue-generating professionals and support personnel, bonus expense for our support personnel, and practice administration and meetings expenses, partially offset by a decrease in contractor expense and revenue growth that outpaced an increase in bonus expense for our revenue-generating professionals.



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## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased \$243.4 million, from \$256.9 million at December 31, 2014, to \$13.5 million at September 30, 2015. As of September 30, 2015, our primary sources of liquidity are cash on hand, cash flows from our U.S. operations, and borrowing capacity available under our credit facility.

	Nine Months Ended	
	September 30,	
Cash Flows (in thousands):	2015	2014
Net cash provided by operating activities	\$83,237	\$92,121
Net cash used in investing activities	(368,502)	(81,700)
Net cash provided by financing activities	41,877	157,382
Effect of exchange rate changes on cash	(22)	(21)
Net (decrease) increase in cash and cash equivalents	\$(243,410)	\$167,782

## Operating Activities

Net cash provided by operating activities totaled \$83.2 million for the nine months ended September 30, 2015, and \$92.1 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, accrued payroll and related benefits, and deferred revenues. The volume of services rendered and the related billings and timing of collections on those billings, as well as payments of our accounts payable and salaries, bonuses, and benefits to employees affect these account balances.

The decrease in cash provided by operations was primarily attributable to an increase in operating expenditures and an increase in the amount paid for annual performance bonuses during the first quarter of 2015 compared to the first quarter of 2014, partially offset by increased cash collections from clients and lower tax payments during the first nine months of 2015.

## Investing Activities

Net cash used in investing activities was \$368.5 million for the nine months ended September 30, 2015, and \$81.7 million for the same period last year.

The use of cash in the first nine months of 2015 primarily consisted of \$332.8 million for purchases of businesses and \$15.0 million for purchases of property and equipment. Additionally, during the first nine months of 2015, we invested \$15.1 million in Shorelight, in the form of zero coupon convertible debt instruments, increasing the total cost basis of our investment to \$27.6 million, as described in Note 10 "Fair Value of Financial Instruments" within the notes to the consolidated financial statements.

The use of cash in the first nine months of 2014 primarily consisted of \$51.7 million for purchases of businesses, \$16.7 million for purchases of property and equipment, and \$12.5 million for purchases of Shorelight zero coupon convertible debt instruments.

We estimate that the cash utilized for purchases of property and equipment for full year 2015 will be approximately \$20.0 million, primarily consisting of information technology-related equipment and leasehold improvements to support our corporate infrastructure and our document review and processing services.

## Financing Activities

Net cash provided by financing activities was \$41.9 million for the nine months ended September 30, 2015, and \$157.4 million for the same period last year.

During the first nine months of 2015, we borrowed \$272.0 million under our credit facility, including \$102.0 million for the Studer Group acquisition, made repayments on our credit facility of \$214.5 million, and repurchased and retired \$13.5 million of our common stock under our October 2014 Share Repurchase Program, as defined below.

During the first nine months of 2014, we issued \$250.0 million principal amount of the Convertible Notes, which provided proceeds of \$242.7 million, net of issuance costs. In connection with the issuance of the Convertible Notes,

we paid \$42.1 million for the convertible note hedge transactions and received \$23.6 million for the sale of warrants. Borrowings made under our credit facility to fund operations during the first nine months of 2014 totaled \$129.0 million, with repayments during the period totaling \$147.8 million. During the first nine months of 2014, we repurchased and retired \$45.1 million of our common stock under the February 2014 Share Repurchase Program, as defined below.

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In October 2014, our board of directors authorized a share repurchase program pursuant to which we may, from time to time, repurchase up to \$50 million of our common stock through October 31, 2015 (the “October 2014 Share Repurchase Program”). In October 2015, our board of directors authorized an extension of the October 2014 Share Repurchase Program through October 31, 2016. The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, general market and business conditions, and applicable legal requirements. As of September 30, 2015, \$36.5 million remains available for share repurchases under the October 2014 Share Repurchase Program.

In February 2014, our board of directors authorized a share repurchase program permitting us to repurchase up to \$50 million of our common stock through February 28, 2015 (the “February 2014 Share Repurchase Program”). We completed the February 2014 Share Repurchase Program in October 2014.

Financing Arrangements

At September 30, 2015, we had \$250.0 million principal amount of our 1.25% convertible senior notes outstanding and \$201.3 million outstanding under our senior secured credit facility, as discussed below.

1.25% Convertible Senior Notes

In September 2014, we issued \$250 million principal amount of the Convertible Notes in a private offering. The Convertible Notes are senior unsecured obligations of the Company and will pay interest semi-annually on April 1 and October 1 of each year at an annual rate of 1.25%. The Convertible Notes will mature on October 1, 2019, unless earlier repurchased by the Company or converted in accordance with their terms.

Upon conversion, the Convertible Notes will be settled, at our election, in cash, shares of the Company’s common stock, or a combination of cash and shares of the Company’s common stock. Our current intent and policy is to settle conversions with a combination of cash and shares of common stock with the principal amount of the Convertible Notes paid in cash, in accordance with the settlement provisions of the Indenture.

The initial conversion rate for the Convertible Notes is 12.5170 shares of our common stock per \$1,000 principal amount of the Convertible Notes, which is equal to an initial conversion price of approximately \$79.89 per share of our common stock.

In connection with the issuance of the Convertible Notes, we entered into convertible note hedge transactions and warrant transactions. The convertible note hedge transactions are intended to reduce the potential future economic dilution associated with the conversion of the Convertible Notes and, combined with the warrants, effectively raise the price at which economic dilution would occur from the initial conversion price of approximately \$79.89 to approximately \$97.12 per share.

For further information see Note 7 “Financing Arrangements” within the notes to the consolidated financial statements.

Senior Secured Credit Facility

On March 31, 2015, the Company and certain of the Company’s subsidiaries entered into a Second Amended and Restated Credit Agreement dated as of March 31, 2015 (the “Amended Credit Agreement”). The Amended Credit Agreement amended and restated, in its entirety, the credit agreement entered into as of April 14, 2011 (as amended and modified, the “Existing Credit Agreement”).

The Amended Credit Agreement consists of a \$500 million senior secured revolving credit facility that becomes due and payable in full upon maturity on March 31, 2020. The Amended Credit Agreement provides for the option to increase the revolving credit facility or establish term loan facilities in an aggregate amount of up to \$100 million, subject to customary conditions and the approval of any lender whose commitment would be increased, resulting in a maximum available principal amount under the Amended Credit Agreement of \$600 million. The initial borrowings under the Amended Credit Agreement were used to refinance borrowings outstanding under the Existing Credit Agreement, and future borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, share repurchases, and general corporate purposes.

Fees and interest on borrowings vary based on our Consolidated Leverage Ratio (as defined in the Amended Credit Agreement). At our option, borrowings under the Amended Credit Agreement will bear interest at one, two, three or

six-month LIBOR or an alternate base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.25% per annum and 1.75% per annum, in the case of LIBOR borrowings, or between 0.25% per annum and 0.75% per annum, in the case of base rate loans, based upon our Consolidated Leverage Ratio at such time.

Amounts borrowed under the Amended Credit Agreement may be prepaid at any time without premium or penalty. We are required to prepay the amounts outstanding under the Amended Credit Agreement in certain circumstances, including a requirement to pay all

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amounts outstanding under the Amended Credit Agreement 90 days prior to the Convertible Indebtedness Maturity Date (as defined in the Amended Credit Agreement) unless (1) the Convertible Indebtedness Maturity Date is waived or extended to a later date, (2) the Company can demonstrate (a) Liquidity (as defined in the Amended Credit Agreement) in an amount at least equal to the principal amount due on the Convertible Indebtedness Maturity Date, and (b) financial covenant compliance after giving effect to such payments and any additional indebtedness incurred on a pro forma basis, or (3) this requirement is waived by the Required Lenders (as defined in the Amended Credit Agreement). In addition, we have the right to permanently reduce or terminate the unused portion of the commitments provided under the Amended Credit Agreement at any time.

The Amended Credit Agreement contains usual and customary representations and warranties; affirmative and negative covenants, which include limitations on liens, investments, additional indebtedness, and restricted payments; and two quarterly financial covenants as follows: (i) a maximum Consolidated Leverage Ratio of either 3.25 to 1.00 or 3.50 to 1.00, depending on the measurement period, and (ii) a minimum Consolidated Interest Coverage Ratio (as defined in the Amended Credit Agreement) of 3.50 to 1.00. At September 30, 2015, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 2.49 to 1.00 and a Consolidated Interest Coverage Ratio of 18.30 to 1.00.

Borrowings outstanding under the Amended Credit Agreement at September 30, 2015 totaled \$201.3 million. These borrowings carried a weighted average interest rate of 2.3%, including the effect of the interest rate swaps described in Note 9 “Derivative Instruments and Hedging Activity” within the notes to the consolidated financial statements.

Borrowings outstanding under the Existing Credit Agreement at December 31, 2014 were \$143.8 million and carried a weighted average interest rate of 2.3%. The borrowing capacity under the revolving credit facility is reduced by any outstanding borrowings under the revolving credit facility and outstanding letters of credit. At September 30, 2015, we had outstanding letters of credit totaling \$5.2 million, which are primarily used as security deposits for our office facilities. As of September 30, 2015, the unused borrowing capacity under the revolving credit facility was \$293.5 million.

For further information see Note 7 “Financing Arrangements” within the notes to the consolidated financial statements.

**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. We believe our internally generated liquidity, together with our available cash, 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 cash commitments and debt service obligations. Our ability to secure short-term and long-term financing in the future will depend on several factors, including our future profitability, the quality of our accounts receivable and unbilled services, our relative levels of debt and equity, and 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, 2014.

As discussed above in “Liquidity and Capital Resources,” on March 31, 2015 we entered into the Amended Credit Agreement consisting of a \$500 million five-year senior secured revolving credit facility. The Amended Credit Agreement becomes due and payable in full upon maturity on March 31, 2020. The Amended Credit Agreement provides for, among other things, an extension of the maturity date and a reduction in pricing, and replaced the existing revolving credit and term loan facility with an increased revolving credit facility. Borrowings outstanding under the Amended Credit Agreement at September 30, 2015 totaled \$201.3 million. Refer to “Liquidity and Capital Resources” and Note 7 “Financing Arrangements” within the notes to the consolidated financial statements for more



information on our outstanding borrowings.

There have been no other material changes in our contractual obligations since December 31, 2014.

**OFF-BALANCE SHEET ARRANGEMENTS**

We are not a party to any off-balance sheet arrangements.

Table of Contents**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. We regularly 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 accounting policies that could be considered critical: revenue recognition, allowances for doubtful accounts and unbilled services, carrying values of goodwill and other intangible assets, and accounting for income taxes. 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, 2014. Below is an update to our critical accounting policy relating to the carrying values of goodwill and other intangible assets. There have been no material changes to our other critical accounting policies during the first nine months of 2015.

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

During the fourth quarter of 2014, as part of our annual goodwill impairment test, we performed the first step of the quantitative two-step impairment test for our Huron Legal segment. Based on the results of that test, in which we compared the fair value of the reporting unit to its carrying value, including goodwill, we determined that the fair value of the Huron Legal reporting unit exceeded its carrying value by 28%, or \$28.7 million; however, this represented a significant decrease compared to the prior quantitative impairment analysis performed as of November 30, 2012. The decrease was primarily a result of a decrease in expected after-tax cash flows that will be generated by the reporting unit, which was driven by the decline in revenue and operating income during the second half of 2014, and especially the fourth quarter of 2014. The fourth quarter 2014 results for the Huron Legal reporting unit were significantly lower than each of the first three quarters of 2014 and did not meet management's expectations, stemming largely from a more sudden than anticipated downturn in business resulting from client settlements of government investigations related to the credit crisis.

During the first three months of 2015, the operating results for Huron Legal were generally in line with management's expectations for the quarter but still significantly below the results achieved during the first three quarters of 2014. Given the increase in the reporting unit's carrying value as a result of the Sky Analytics acquisition and continued weakened results compared to the first nine months of 2014, we performed an interim impairment test for the goodwill balances within our Huron Legal reporting unit as of March 31, 2015. Our goodwill impairment test was performed using the quantitative two-step process. Based on the results of the first step of the goodwill impairment test, we determined that the fair value of our Huron Legal reporting unit exceeded its carrying value by 25%, or \$28.8 million. Since the fair value of the reporting unit exceeded its carrying value, the second step of the goodwill impairment test was not necessary.

In estimating the fair value of our Huron Legal reporting unit, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. For companies providing services similar to those provided by us, the income and market approaches will generally provide the most reliable indications of value because the value of such companies is dependent on their ability to generate earnings.

In the income approach, we utilized a discounted cash flow analysis, which involved estimating the expected after-tax cash flows that will be generated by the reporting unit and then discounting those cash flows to present value reflecting the relevant risks associated with the reporting unit and the time value of money. This approach requires the use of significant estimates and assumptions, including long-term projections of future cash flows, market conditions,

discount rates reflecting the risk inherent in future cash flows, revenue growth, perpetual growth rates, and profitability, among others. In estimating future cash flows, we relied on an internally generated seven-year forecast. For periods after the seven-year forecast, we assumed a long-term annual revenue growth rate of 3.5%. Our forecast is based on historical experience, current backlog, expected market demand, and other industry information. Our discounted cash flow analysis assumed a weighted average cost of capital (“WACC”) discount rate of 13.0%. In the market approach, we utilized the guideline company method, which involved calculating valuation multiples based on operating data from guideline publicly traded companies. Multiples derived from guideline companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. These multiples were then evaluated and adjusted based on our specific characteristics relative to the selected guideline companies and applied to the operating data for the Huron Legal reporting unit to arrive at an indication of value.

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Determining the fair value of a reporting unit requires us to make significant judgments, estimates and assumptions. While we believe that the estimates and assumptions underlying our valuation methodology are reasonable, these estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. The results of an impairment analysis are as of a point in time. There is no assurance that the actual future earnings or cash flows of our reporting units will not differ significantly from our projections. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. Any significant decline in our operations could result in goodwill impairment charges.

The table below presents, based on the goodwill impairment test performed as of March 31, 2015, the decrease in the fair value of our Huron Legal reporting unit given a 100 basis point increase in the assumed discount rate or a 100 basis point decrease in the assumed long-term annual revenue growth rate.

	Decrease in Fair Value of the Reporting Unit (in thousands)	Percentage by which Fair Value Exceeds Carrying Amount
Discount rate – increase by 100 bps	\$5,500	20%
Long-term growth rate – decrease by 100 bps	\$3,600	22%

To improve the segment's financial performance, the Huron Legal segment leadership team undertook several initiatives to increase sales of their service offerings and reduce expenses. As a result, Huron Legal segment financial performance for the second and third quarters of 2015 improved compared to the fourth quarter of 2014 and the first quarter of 2015. We believe that the services provided by the Huron Legal segment remain relevant in the marketplace and expect performance to continue to improve during the remainder of 2015. We will perform our annual goodwill impairment analysis as of November 30, 2015; in the event that the segment's performance does not continue to improve in line with our expectations during the remainder of 2015, we may be required to take an impairment charge as a result of this annual test.

**NEW ACCOUNTING PRONOUNCEMENTS**

Refer to Note 3 “New Accounting Pronouncements” within the notes to the consolidated financial statements for information on new accounting pronouncements.

**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.

**Market Risk and Interest Rate Risk**

The value of the Convertible Notes is exposed to interest rate risk. Generally, the fair value of our fixed interest rate Convertible Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of our Convertible Notes is affected by our stock price. The carrying value of our Convertible Notes was \$218.2 million as of September 30, 2015, which represents the liability component of the \$250 million principal balance. The total estimated fair value of our Convertible Notes at September 30, 2015 was \$259.0 million, and was determined based on the quoted bid price of the Convertible Notes in an over-the-counter market as of the last day of trading for the quarter ended September 30, 2015, which was \$103.599 per \$100 principal amount.

Concurrent with the issuance of the Convertible Notes, we entered into separate convertible note hedge and warrant transactions. The convertible note hedge transactions are intended to reduce the potential future economic dilution associated with the conversion of the Convertible Notes and, combined with the warrants, effectively raise the price at which economic dilution would occur from the initial conversion price of approximately \$79.89 to approximately \$97.12 per share. Under the convertible note hedge transactions, we have the option to purchase a total of approximately 3.1 million shares of our common stock, which is the number of shares initially issuable upon conversion of the Convertible Notes in full, at a price of approximately \$79.89, which corresponds to the initial conversion price of the Convertible Notes, subject to customary anti-dilution adjustments substantially similar to those

in the Convertible Notes. Under the warrant transactions, the holders of the warrants have the option to purchase a total of approximately 3.1 million shares of our common stock at a price of approximately \$97.12. If the average market value per share of our common stock for the reporting period exceeds the strike price of the warrants, the warrants will have a dilutive effect on our earnings per share.

We have exposure to changes in interest rates associated with borrowings under our bank credit facility, which has variable interest rates tied to LIBOR or an alternate base rate, at our option. At September 30, 2015, we had borrowings outstanding under the credit facility totaling \$201.3 million that carried a weighted average interest rate of 2.3% including the effect of the interest rate swaps described below. A hypothetical 100 basis point change in this interest rate would have a \$1.0 million effect on our pretax income including the effect of the interest rate swaps described below.

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On December 8, 2011, we entered into a forward amortizing interest rate swap agreement effective on February 29, 2012 and ending on April 14, 2016. We entered into this derivative instrument to hedge against the interest rate risks of our variable-rate borrowings described above. The swap had an initial notional amount of \$56.6 million and amortizes throughout the term. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 0.9875%. On May 30, 2012, we entered into an amortizing interest rate swap agreement effective on May 31, 2012 and ending on April 14, 2016. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings described above. The swap had an initial notional amount of \$37.0 million and amortizes throughout the term. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 0.70%. On April 4, 2013, we entered into a forward amortizing interest rate swap agreement effective on March 31, 2014 and ending on August 31, 2017. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings described above. The swap has an initial notional amount of \$60.0 million and amortizes throughout the term. Under the terms of the interest rate swap agreement, we will receive from the counterparty interest on the notional amount based on one-month LIBOR and we will pay to the counterparty a fixed rate of 0.985%.

Including the impact of the above swap agreements, the weighted average interest rate on \$98.0 million of our variable-rate debt, which equals the notional amount of the swap agreements in effect at September 30, 2015, was 2.7%.

We have a non-interest bearing convertible debt investment in a privately-held company, which we account for as an available-for-sale security. As such, the investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. As of September 30, 2015, the fair value of the investment was \$34.1 million, with a total cost basis of \$27.6 million.

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

#### 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 September 30, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2015, 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 Internal 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) during the three months ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

During the first quarter of 2015, we completed the acquisition of Studer Group, as discussed in Note 5 "Acquisitions" within the notes to the consolidated financial statements. We intend to evaluate Studer Group's internal controls and, if necessary, make any changes that we believe to be appropriate to those internal controls as we integrate the acquired business with ours. Management intends to exclude the internal controls of Studer Group in its annual assessment of the effectiveness of the Company's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2015. This exclusion is in accordance with the general

guidance issued by the Securities and Exchange Commission that an assessment of a recent business combination may be omitted from management's report on internal control over financial reporting in the first year of consolidation.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this Item is incorporated by reference from Note 13 "Commitments, Contingencies and Guarantees" included in Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS

See "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for a complete description of the material risks we face.



Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On February 12, 2015, as partial consideration for our acquisition of Studer Group, we issued 28,486 shares of the Company's common stock, par value \$0.01 per share, with an aggregate value of approximately \$2.2 million, to certain Studer Group shareholders. The issuance was exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction by an issuer not involving a public offering.

Our Stock Ownership Participation Program, 2012 Omnibus Incentive Plan and our 2004 Omnibus Stock Plan, which was replaced by the 2012 Omnibus Incentive Plan, permit the netting of common stock upon vesting of restricted stock awards to satisfy individual tax withholding requirements. During the quarter ended September 30, 2015, we reacquired 7,450 shares of common stock with a weighted average fair market value of \$73.01 as a result of such tax withholdings.

In October 2014, our board of directors authorized a share repurchase program pursuant to which we may, from time to time, repurchase up to \$50 million of our common stock through October 31, 2015 (the "October 2014 Share Repurchase Program"). In October 2015, our board of directors authorized an extension of the October 2014 Share Repurchase Program through October 31, 2016. The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, general market and business conditions, and applicable legal requirements.

The following table provides information with respect to purchases we made of our common stock during the quarter ended September 30, 2015.

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that may yet be Purchased under the Plans or Programs <sup>(2)</sup>
July 1, 2015 - July 31, 2015	3,517	\$70.19	—	\$ 36,501,715
August 1, 2015 - August 31, 2015	3,074	\$76.47	—	\$ 36,501,715
September 1, 2015 - September 30, 2015	859	\$72.22	—	\$ 36,501,715
Total	7,450	\$73.01	—	

The number of shares repurchased for each period presented represents shares to satisfy employee tax withholding (1) requirements. These shares do not reduce the repurchase authority under the October 2014 Share Repurchase Program.

(2) As of the end of the period.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

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## ITEM 6. EXHIBITS

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

Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Incorporated by Reference			Filing Date
				Form	Period Ending	Exhibit	
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 Definition Linkbase Document	X					

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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: October 22, 2015

/s/ C. Mark Hussey  
C. Mark Hussey  
Executive Vice President, Chief Operating Officer,  
Chief Financial Officer and Treasurer