BIODELIVERY SCIENCES INTERNATIONAL INC
Form 10KSB/A
November 21, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB/A

(Amendment No. 2)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number 0-28931

BioDelivery Sciences International, Inc.

(Name of small business issuer in its charter)

Delaware	**35-2089858**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
801 Corporate Center Drive, Suite 210	
Raleigh, NC	**27607**

(Address of principal executive offices) **(Zip Code)**

Issuer s telephone number: (919) 582-9050

2501 Aerial Center Parkway Suite 205

Morrisville, NC 27560

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.001 par value; **NASDAQ-Capital Market**

(Title of class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act ¨

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 x No ¨

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of issuer s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ¨

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

Issuer s revenues for fiscal year 2006 were $275,778.

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of April 13, 2007 was approximately $69,831,096 based on the closing sale price of the company s common stock on such date of U.S. $6.03 per share, as reported by the Nasdaq Capital Market.

As of April 13, 2007, there were 16,666,777 shares of the company s common stock outstanding.

Transitional Small Business Disclosure Format: Yes ¨ No x

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-KSB/A (the Amendment) to the Annual Report on Form 10-KSB of BioDelivery Sciences International, Inc. (the Company) for the year ended December 31, 2006, which was filed with the Securities and Exchange Commission on April 17, 2007 (the Original Filing) and amended on May 31, 2007, is being filed for the limited purpose of amending Item 6. Management s Discussion and Analysis of Financial Condition and Results of Operations (only to modify revenue recognition) and Item 7. Financial Statements (only to show deferred revenue) to the Original Filing to reflect the November 9, 2007 reevaluation by the Company s Audit Committee and the Company s independent registered public accounting firm of the accounting for a $2,500,000 milestone payment received by the Company in September 2006 based on criteria of both SEC Staff Accounting Bulletin No. 104 and EITF 00-21 that revenue recognition should have been deferred and recognized over the estimated term of the license.

As a result of these amendments, the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed as exhibits to the Original Filing, have been re-executed and re-filed as of the date of this Amendment.

Except for the amendments described above, this Amendment does not modify or update other disclosures in, or exhibits to, the Original Filing, as amended. Readers should be aware that certain information contained herein is as of the date of the Original Filing and may therefore not be current as such information is not being amended pursuant to this Amendment. Please see the Company s filings with the Securities and Exchange Commission for more current information.

Item 6. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those which are not within our control.

Limited Operating History; Background of Our Company

Until 2002, we were a development stage company. Our first license agreement was funded in 2003 in the amount of $2 million, and we had an additional license funded in 2004 for $1 million, as part of our acquisition of Arius. We expect to continue research and development of our drug delivery technologies, and while we are seeking additional license agreements, which may include up-front payments, we anticipate nominal royalty revenues from the sale or commercialization of our products under development (other than license fees) during 2007. We anticipate that funding for the next several years will come primarily from the sale of securities, collaborative research agreements, including pharmaceutical companies, grants from public service entities and government entities, and potential exercises of our warrants.

In 2001, the National Institutes of Health awarded us a three-year $2.7 million Small Business Innovation Research Grant, which was fully funded through 2004, and which was utilized in our research and development efforts. We had an additional grant of approximately $0.6 million which was funded through July 2006. No additional funds are available on this grant.

We have a limited history of operations, and while we have received license revenues in 2003, 2004, 2005 and 2006 for licensing our technology, we anticipate that our quarterly results of operations will fluctuate significantly for the foreseeable future. We believe period-to-period comparisons of our operating results should not be relied upon as predictive of future performance. Our prospects must be considered in light of the risks, expenses and difficulties encountered by companies maturing in commercialization of their technologies, particularly companies in new and rapidly evolving markets such as pharmaceuticals, drug delivery and biotechnology. For the foreseeable future, we must, among other things, seek regulatory approval for and commercialize our proposed drugs, which may not occur. We may not be able to appropriately address these risks and difficulties. We may require additional funds to complete the development of our technology and to fund expected operations in the next several years.

Critical Accounting Policies and Estimates

Revenue Recognition

We recognize revenue in accordance with the SEC s Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements. When evaluating multiple element arrangements, we consider whether the components of the arrangement represents separate units of accounting as EITF 00-21. Application of these standards requires subjective determinations and requires management to make judgments about the value of the individual elements and whether it is separable from the other aspects of the contractual relationship. See Note 1 to our condensed consolidated financial statements for further discussion regarding revenue recognition. Ultimately, the objective of our analysis of each customer contract based on the aforementioned criteria is to determine the amount and appropriate accounting period in which revenue should be recognized. To date, our primary source of revenue has been the issuance of European and U.S. licensing rights to BEMA Fentanyl and related formulations. All amounts received have currently been recorded as deferred revenue in our financial statements.

Valuation of Goodwill and Intangible Assets

Our intangible assets include goodwill, product rights, and licenses, all of which are accounted for based on Financial Accounting Standard Statement No. 142 *Goodwill and Other Intangible Assets* (FAS 142). As described below, goodwill is not amortized but is tested at least annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with limited useful lives are amortized using the straight-line method over their estimated period of benefit, ranging from eleven to thirteen years.

Our carrying value of goodwill at December 31, 2006 was $2.715 million.

We amortize intangibles with limited useful lives based on their expected useful lives and look to a number of factors for such estimations, including the longevity of our license agreements. Our carrying value of other, amortizing intangible assets at December 31, 2006 was $3.88 million, net of accumulated amortization of $.6 million. We begin amortizing capitalized intangibles on their date of acquisition.

Impairment Testing

Our goodwill impairment testing is calculated at the reporting unit level. Our annual impairment test has two steps. The first identifies potential impairments by comparing the fair value of the reporting unit with its carrying value. If the fair value exceeds the carrying amount, goodwill is not impaired and the second step is not necessary. If the carrying value exceeds the fair value, the second step calculates the possible impairment loss by comparing the implied fair value of goodwill with the carrying amount. If the implied fair value of goodwill is less than the carrying amount, a write-down is recorded. No goodwill impairment charges have resulted from this analysis for 2006 or 2005.

In accordance with SFAS 144, which relates to impairment of long-lived assets other than goodwill (our other amortizing intangibles), impairment exists if the sum of the future estimated undiscounted cash flows related to the asset is less than the carrying amount of the intangible asset or to its related group of assets. In that circumstance, then an impairment charge is recorded for the excess of the carrying amount of the intangible over the estimated discounted future cash flows related to the asset.

In making this assessment, we predominately use a discounted cash flow model derived from internal budgets in assessing fair values for our impairment testing. Factors that could change the result of our impairment test include, but are not limited to, different assumptions used to forecast future net sales, expenses, capital expenditures, and working capital requirements used in our cash flow models. In addition, selection of a risk-adjusted discount rate on the estimated undiscounted cash flows is susceptible to future changes in market conditions, and when unfavorable, can adversely affect our original estimates of fair values. In the event that our management determines that the value of intangible assets have become impaired using this approach, we will record an accounting charge for the amount of the impairment. No impairment charges have been recorded to other amortizing intangible in either 2006 or 2005.

Stock-Based Compensation and other stock based valuation issues (derivative accounting):

We account for stock-based awards to employees and non-employees using the accounting provisions of SFAS 123R *Accounting for Share-Based Payments,* which provides for the use of the fair value based method to determine compensation for all arrangements where shares of stock or equity instruments are issued for compensation. Fair values of equity securities issued are determined by management based predominantly on the trading price of the Company s common stock. The values of these awards are based upon their grant-date fair value. That cost is recognized over the period during which the employee is required to provide service in exchange for the award.

We use the Black-Scholes options-pricing model to determine the fair value of stock option and warrant grants. In applying the Black-Scholes options-pricing model during 2006, we assumed no dividend yield, risk-free interest rates ranging from 4.5% to 4.7%, expected option terms ranging from 5 to 6 years (for employee options), a volatility factor range between 54.5% to 89.5%, share prices ranging from $2.05 to $2.69, and option exercise prices ranging from $2.05 to $2.69.

We also use the Black Scholes option pricing model as the primary basis for valuing our derivative liabilities at each reporting date (both embedded and free-standing derivatives). The underlying assumptions used in this determination are primarily the same as are used in the determination of stock-based compensation discussed in the previous paragraph except contractual lives of the derivative instruments are utilized rather than expected option terms as discussed in the previous paragraph.

For the Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

Sponsored Research Revenue. During the year ended December 31, 2006, we recognized sponsored research revenue of $0.08 million, compared to $0.4 million in the prior year.

Milestone and Royalty Revenues. During the year ended December 31, 2005, we recognized milestone revenue of $0.4 million relating to Emezine®. In addition, we recognized $0.07 million and $0.06 million in royalty revenue in 2006 and 2005, respectively, under our license agreement with Accentia relating to CRS.

Research and Development Expenses. During the years ended December 31, 2006 and 2005, research and development expenses totaled $9.3 million and $6.5 million, respectively. Our scientific staff continued to work toward increased development and application of our BEMA and Bioral® cochleate technologies and other drug-related areas. Funding of this research was obtained through sponsored research revenue, exercise of options by directors, sales of securities and funding of an equity line of credit from HCG. Research and development expenses generally include salaries for key scientific personnel, research supplies, facility rent, lab equipment depreciation and a portion of overhead operating expenses and other costs directly related to the development and application of the BEMA and Bioral® drug delivery technologies.

General and Administrative Expenses. During the years ended December 31, 2006 and 2005, general and administrative expenses totaled $5.1 million and $3.6 million, respectively. General and administrative costs include legal and professional fees, office supplies, travel costs, executive personnel costs, consulting fees, and business development costs. Product development cost in 2006 is warrant expense related to a securities purchase agreement. Furthermore, we incurred expenses in 2005 of approximately $0.08 million related to operating activities of our currently inactive Bioral Nutrient Delivery, LLC subsidiary that commenced in 2003. There were no expenses related to this subsidiary in 2006. The increase in general and administrative expenses in 2006 is primarily due to increased professional and legal fees incurred in connection with legal due diligence associated with licensing transactions, increased patent costs, stock-based compensation (related to our adoption of FAS 123R), and investor relations.

Product Development Expense. In 2006, we issued 601,120 warrants valued at $0.7 million in connection with the initial $2.0 million deposit transaction with CDC Clinical Development Licensing Agreement for BEMA Fentanyl. We had no such expense in 2005.

Interest Income (Expense), Net. During the year ended December 31, 2006 we had net interest expense of $1.95 million, compared to $1.35 million in 2005. The increase in net interest expense is primarily due to amortization of debt discount and interest paid to Laurus for the two convertible notes. Interest income for years ending 2006 and 2005 was nominal.

Derivative Gain (loss). Derivative loss in 2006 is related to the adjustment of derivative liabilities to fair value as of December 31, 2005 and subsequent changes in fair value in 2006. These derivatives relate to the Laurus financing (see Notes 1 and 7 to financial statements) and warrants issued to CDC.

Debt extinguishment (loss). During the year ended December 31, 2006, we had a debt extinguishment loss related to the debt modification that arose from the amendments to the Laurus convertible term notes and related deferral warrants.

Income Tax Benefit and sale of state tax loss carryforwards. We incurred net operating losses during both years presented, and we did not recognize any benefit associated with these losses. We had federal net operating loss carryforwards of $33.0 million at December 31, 2006 and $25.5 million of state carryforwards. The federal net operating loss carryforwards expire beginning in 2020, if not utilized. We sold New Jersey state tax credits and net operating losses in 2005 of $4.5 million, which generated cash of $0.5 million in 2005. The state operating loss carryforwards expire beginning in 2008, if not utilized. Financial Accounting Standards Board Statement No.109 provides for the recognition of deferred tax assets if realization is more likely than not. Based upon available data, which includes our historical operating performance and our reported cumulative net losses in prior years, we have provided a full valuation allowance against our net deferred tax assets as the future realization of the tax benefit is not sufficiently assured.

Item 7. Financial Statements.

Our Consolidated Financial Statements and Notes thereto, as amended, and the report of Aidman, Piser & Company, P.A., our independent registered public accounting firm, are set forth on pages F-1 through F-27 of this Report.

Item 13. Exhibits

The following exhibits are filed with this Amendment No. 2.

31.1	Certification of the Company s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)(**)
31.2	Certification of the Company s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)(**)
32.1	Certification of the Company s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)(**)
32.2	Certification of the Company s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)(**)

* Filed herewith

** A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

BIODELIVERY SCIENCES INTERNATIONAL, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

BioDelivery Sciences International, Inc.

We have audited the accompanying consolidated balance sheet of BioDelivery Sciences International, Inc. and Subsidiaries as of December 31, 2006, and the related consolidated statements of operations, stockholders deficit, and cash flows for each of the two years in the period then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BioDelivery Sciences International, Inc. and Subsidiaries as of December 31, 2006, and the consolidated results of their operations and their cash flows for each of the two years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the consolidated financial statements the accompanying 2006 consolidated financial statements have been restated.

/s/ Aidman, Piser & Company, P.A.

Tampa, Florida

April 16, 2007 except for Notes 1, 8 and 13 as to which the date is November 20, 2007

BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2006 (Restated)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,172,104
Accounts receivable	42,118
Due from related party	8,523
Prepaid expenses and other current assets	180,863
Total current assets	2,403,608
Equipment, net	379,654
Goodwill	2,715,000
Other intangible assets:	
Licenses	2,442,171
Acquired product rights	2,000,000
Accumulated amortization	(561,767)
Total other intangible assets	3,880,404
Other assets	463,268
Total assets	$ 9,841,934
LIABILITIES AND STOCKHOLDERS DEFICIT	
Current liabilities:	
Note payable	1,000,000
Accounts payable and accrued expenses	2,032,765
Due to related party	1,001,177
Deferred revenue	2,570,360
Dividends payable	152,803
Derivative liability	7,795,931
Total current liabilities	14,553,036
Convertible notes payable	4,003,250
Total liabilities	18,556,286
Commitments and contingencies (Notes 6 and 12)	
Stockholders deficit:	
Series A Preferred stock, $.001 par value; 1,647,059 shares designated, issued and outstanding	3,705,883
Series B Preferred stock, $.001 par value, 941,177 shares designated, 341,176 shares issued and outstanding	1,450,000
Common stock, $.001 par value; 45,000,000 shares authorized, 14,048,637 shares issued; 14,033,146 shares outstanding	14,049
Additional paid-in capital	32,132,609
Treasury stock, at cost, 15,491 shares	(47,183)
Accumulated deficit	(45,969,710)

Total stockholders deficit	(8,714,352)
Total liabilities and stockholders deficit	$ 9,841,934

See notes to consolidated financial statements.

BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006 (Restated)	2005
Sponsored research revenues	$ 75,717	$ 364,225
Milestone and royalty revenues, related parties	65,061	422,342
Research fees	135,000	62,995
	275,778	849,562
Expenses:		
Research and development	6,718,638	5,526,833
Related party research and development	2,550,058	937,029
Product development	746,591	
General and administrative	4,947,506	3,533,286
Related party general and administrative	124,505	66,835
	15,087,298	10,063,983
Loss from operations	(14,811,520)	(9,214,421)
Other income, net	7,663	
Other expense:		
Sale of tax loss carryforwards		451,590
Interest expense, net	(1,948,264)	(1,345,496)
Derivative gain (loss)	(1,013,142)	28,930
Loss on extinguishment of debt	(4,629,946)	
	(7,591,352)	(864,976)
Net loss	(22,395,209)	(10,079,397)
Preferred stock dividends	(65,250)	(65,250)
Loss attributable to common stockholders	$ (22,460,459)	$ (10,144,647)
Per share amounts, basic and diluted:		
Loss attributable to common stockholders	$ (1.67)	$ (1.21)
Weighted average common stock shares outstanding:		
Basic and diluted	13,435,091	8,353,346

See notes to consolidated financial statements.

BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

YEARS ENDED DECEMBER 31, 2006 (Restated) AND 2005

Series A Preferred Stock Shares	Amount	Series B Preferred stock Shares	Amount	Common Stock		Additional Paid-In Capital	Treasury Stock	Acc
1,647,059	$ 3,705,883	341,176	$ 1,450,000	7,245,863	$ 7,246	$ 14,619,701	$ (303,894)	$ (1
						11,724		
				70,000	70	171,430		
						(99,711)	256,711	
				4,512,774	4,513	7,901,253		
						(624,593)		
						1,610,929		
						305,685		
						(65,250)		
								(1
1,647,059	$ 3,705,883	341,176	$ 1,450,000	11,828,637	$ 11,829	$ 23,831,168	$ (47,183)	$ (2
						576,627		

-family:inherit;font-size:10pt;font-weight:bold;">Operating expenses and other loss, net:

4	41,186	81,681	78,010
	601	3,080	1,257
	750	—	524
	6,459	14,972	11,748

9	48,996	99,733	91,539
9	28,797	42,585	36,733
3)	(4,763)	(8,094)	(9,156)
	101	747	(582)
7)	(4,662)	(7,347)	(9,738)
2	24,135	35,238	26,995
	9,987	12,233	11,879
9	14,148	23,005	15,116
)	4,685	(1,834)	5,219
69	$ 18,833	$21,171	$20,335
	$ 0.64	$1.09	$0.68
)	0.21	(0.09)	0.24
	$ 0.85	$1.00	$0.92
	$ 0.62	$1.07	$0.67
)	0.21	(0.08)	0.23

		$ 0.83	$0.99	$0.90
1		22,220	21,088	22,174
6		22,654	21,418	22,628
69		$ 18,833	$21,171	$20,335
	)	850	2	414
	)	4,185	875	4,135
	)	48	(148)	(161)
	)	5,083	729	4,388
19		$ 23,916	$21,900	$24,723

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	Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2015	24,065,154	$ 241	(2,262,080)	$ (103,734)	$ 438,367	$ 313,866	$ 3,585	$ 652,325
Comprehensive income						21,171	729	21,900
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	310,429	3	(23,502)	(1,589)	1,586			—
Exercise of stock options	4,706	—			123			123
Share-based compensation					11,107			11,107
Shares redeemed for employee tax withholdings			(79,794)	(4,445)				(4,445)
Income tax benefit on share-based compensation					208			208
Share repurchases	(982,192)	(10)			(55,255)			(55,265)
Balance at June 30, 2016	23,398,097	$ 234	(2,365,376)	$ (109,768)	$ 396,136	$ 335,037	$ 4,314	$ 625,953

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)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities:		
Net income	$21,171	$20,335
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,201	24,431
Share-based compensation	9,787	11,776
Amortization of debt discount and issuance costs	4,757	4,663
Allowances for doubtful accounts and unbilled services	5,877	(1,034)
Deferred income taxes	4,019	3,191
Changes in operating assets and liabilities, net of acquisitions:		
(Increase) decrease in receivables from clients	19,818	(7,550)
(Increase) decrease in unbilled services	(26,552)	(824)
(Increase) decrease in current income tax receivable / payable, net	(570)	3,106
(Increase) decrease in other assets	10,424	(4,125)
Increase (decrease) in accounts payable and accrued liabilities	(4,594)	2,863
Increase (decrease) in accrued payroll and related benefits	(26,978)	(47,114)
Increase (decrease) in deferred revenues	1,187	8,613
Net cash provided by operating activities	40,547	18,331
Cash flows from investing activities:		
Purchases of property and equipment, net	(5,376)	(9,869)
Investment in life insurance policies	(1,699)	(5,127)
Purchases of businesses, net of cash acquired	(49,071)	(331,990)
Purchase of convertible debt investment	—	(3,138)
Capitalization of internally developed software costs	(536)	(398)
Net cash used in investing activities	(56,682)	(350,522)
Cash flows from financing activities:		
Proceeds from exercise of stock options	123	—
Shares redeemed for employee tax withholdings	(4,445)	(4,650)
Tax benefit from share-based compensation	860	2,823
Share repurchases	(55,265)	(13,498)
Proceeds from borrowings under credit facility	116,000	256,500
Repayments on credit facility	(93,000)	(149,000)
Payments for capital lease obligations	—	(34)
Net cash provided by (used in) financing activities	(35,727)	92,141
Effect of exchange rate changes on cash	125	6
Net decrease in cash and cash equivalents	(51,737)	(240,044)
Cash and cash equivalents at beginning of the period	58,437	256,872
Cash and cash equivalents at end of the period	$6,700	$16,828
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		

Property and equipment expenditures included in accounts payable and accrued expenses	$3,248	$3,723
Contingent consideration related to business acquisitions	$6,500	$900
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

Huron is a global professional services firm focused on assisting clients with their most complex business issues by delivering high-value, quality solutions to support their long-term strategic objectives. We specialize in serving clients in the healthcare, higher education, life sciences, and commercial sectors as these organizations face significant transformational change and regulatory or economic pressures in dynamic market environments. With our deep industry and technical expertise, we provide advisory, consulting, technology, and analytic solutions 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, and governmental entities.

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 six months ended June 30, 2016 and 2015. 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 our consolidated financial statements and notes thereto for the year ended December 31, 2015 included in our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2016. Our results for any interim period are not necessarily indicative of results for a full year or any other interim period.

On December 10, 2015, we entered into an agreement to sell our Huron Legal segment to a third party. The sale closed on December 31, 2015. The operations of our Huron Legal segment have been classified as discontinued operations in our consolidated statements of earnings for all periods presented. As of June 30, 2016 and December 31, 2015, no assets or liabilities of the disposed business remained on our consolidated balance sheet. See Note 4 "Discontinued Operations" for additional information on the divestiture of our Huron Legal segment.

Certain other amounts reported in the previous year have been reclassified to conform to the 2016 presentation. See Note 3 "New Accounting Pronouncements" for information on the balance sheet reclassification of our debt issuance costs related to our convertible notes.

3. New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09: Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements, and classification on the statement of cash flows. The updated guidance is effective for us beginning January 1, 2017. Early adoption is permitted in any interim or annual period. If early adopted in an interim period, any adjustments will be reflected as of the beginning of the fiscal year that includes that interim period. We are currently evaluating the potential impact this guidance will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging: Contingent Put and Call Options in Debt Instruments. ASU 2016-06 clarifies that in assessing whether an embedded contingent put or call option is clearly and closely related to the debt host, an entity is required to perform only the four-step decision sequence in ASC 815-15-25-42 (as amended by the ASU). The entity does not have to separately assess whether the event that triggers its ability to exercise the contingent option is itself indexed only to interest rates or credit risk. The updated guidance is effective for us beginning January 1, 2017. We do not expect the adoption of this guidance to have any impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-02, Leases, which supersedes ASC Topic 840, Leases, and sets the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record on the balance sheet a right-of-use asset and a lease liability, equal to the present value of the remaining lease payments, for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective

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interest rate method or on a straight-line basis over the term of the lease. ASU 2016-02 will be effective for us beginning January 1, 2019, with early adoption permitted. Entities are required to use a modified retrospective transition method for existing leases. We are currently evaluating the potential impact this guidance will have on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments to the guidance enhance the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. The updated guidance is effective for us beginning January 1, 2018. We are currently evaluating the potential impact this guidance will have on our consolidated financial statements.

In April 2015, the FASB issued 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. We adopted these amendments in the first quarter of 2016 on a prospective basis. The adoption of these amendments did not have any impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The amendments to the guidance 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. We adopted these amendments in the first quarter of 2016 on a retrospective basis. As a result, we reclassified debt issuance costs related to our convertible notes of $1.2 million included in prepaid expenses and other current assets and $3.4 million included in other non-current assets to long-term debt on our previously reported consolidated balance sheet as of December 31, 2015. See Note 8 "Financing Arrangements" for information on our convertible notes.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which amends the consolidation requirements in ASC 810, Consolidation. ASU 2015-02 requires management to reevaluate all legal entities under a revised consolidation model, specifically (i) modify the evaluation of whether limited partnership and similar legal entities are variable interest entities (VIEs) or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Act of 1940 for registered money market funds. We adopted these amendments in the first quarter of 2016. The adoption of these amendments did not have any impact on our consolidated financial statements.

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 January 1, 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 impact this guidance will have on our consolidated financial statements, as well as the transition methods.

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4. Discontinued Operations

During 2015, we began evaluating strategic alternatives related to our Huron Legal segment, including the potential divestiture of the practice. On December 10, 2015, we entered into an agreement to sell Huron Legal to Consilio, Inc. ("Consilio"). Pursuant to the agreement, Consilio acquired substantially all of the assets and assumed certain liabilities of Huron Legal, and acquired all issued and outstanding equity interests in certain entities wholly owned by the Company. Huron Legal provided eDiscovery services, consulting services and contract management services related to law department management, information governance and compliance, legal discovery, litigation management, and legal analytics.

The sale closed on December 31, 2015, at which time we received net proceeds of $110.1 million and recognized a pretax disposal loss of $2.3 million. The divestiture of the Huron Legal segment represented a strategic shift that had a major effect on our operations and financial results as contemplated under ASC 205-20, Presentation of Financial Statements - Discontinued Operations. As such, the operations of our Huron Legal segment have been classified as discontinued operations in our consolidated statements of earnings for all periods presented. As of June 30, 2016 and December 31, 2015, no assets or liabilities of the disposed business remained on our consolidated balance sheet.

For the three and six months ended June 30, 2016, we recognized losses from discontinued operations, net of tax, of $1.0 million and $1.8 million, respectively, primarily related to employee benefit obligations, legal fees, and updated lease assumptions for vacated office space directly related to the sale of the Huron Legal segment.

The table below summarizes the operating results of Huron Legal for the three and six months ended June 30, 2015.

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Revenues and reimbursable expenses:		
Revenues	$39,625	$73,052
Reimbursable expenses	522	1,369
Total revenues and reimbursable expenses	40,147	74,421
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):		
Direct costs	24,256	47,864
Amortization of intangible assets	59	117
Reimbursable expenses	521	1,366
Total direct costs and reimbursable expenses	24,836	49,347
Operating expenses:		
Selling, general and administrative expenses	5,480	10,988
Restructuring charges	(4)	930
Depreciation and amortization	2,540	5,029
Total operating expenses	8,016	16,947
Operating income	7,295	8,127
Other income, net	66	20
Income from discontinued operations before income tax expense	7,361	8,147
Income tax expense	2,676	2,928
Income from discontinued operations, net of tax	$4,685	$5,219

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The table below summarizes the amounts reflected in our consolidated statements of cash flows that relate to the discontinued operation for the six months ended June 30, 2015.

	Six Months Ended June 30, 2015
Depreciation and amortization	$ 5,146
Share-based compensation	$ 606
Purchases of property and equipment	$ 2,296
Significant non-cash investing items of discontinued operations:	
Contingent consideration related to business acquisitions	$ 900

In connection with the sale of Huron Legal, we entered into a transition services agreement ("TSA") with Consilio, under which we are providing certain post-closing services, support, and facilities to Consilio to facilitate an orderly transfer of the Huron Legal business operations. Billings under the TSA, which we do not consider to be significant, are recorded as a reduction of the costs to provide the respective service, primarily in selling, general and administrative expenses in the consolidated statements of earnings. We expect to provide services under the TSA through December 31, 2016 with the scope of services decreasing over the term of the agreement. Other than the TSA, we have no continuing involvement with the Huron Legal segment.

5. Acquisitions

ADI Strategies, Inc.

On May 1, 2016, we completed the acquisition of the U.S. assets of ADI Strategies, Inc. ("ADI Strategies"), a leading enterprise performance management, risk management, and business intelligence firm focused on implementing the Oracle enterprise application suite. This acquisition was not significant to our consolidated financial statements. The results of operations of ADI Strategies have been included in our consolidated financial statements and the results of operations of our Huron Business Advisory segment from the date of acquisition. We are also in the process of acquiring the international assets of ADI Strategies in Dubai and India, for which we expect to sign an agreement in the third quarter of 2016.

My Rounding Solutions, LLC

On February 1, 2016, we completed the acquisition of My Rounding Solutions, LLC ("MyRounding"), a Denver, Colorado-based firm specializing in digital health solutions to improve patient care. The MyRounding application is designed to standardize, automate and track rounding activity, allowing nurses and staff to improve the care and experience of patients in real time. The addition of MyRounding expands the integration of our software and consulting solutions and strengthens our transformation services for healthcare providers. This acquisition was not significant to our consolidated financial statements. The results of operations of MyRounding have been included in our consolidated financial statements and the results of operations of our Huron Healthcare segment from the date of acquisition.

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℠ framework to provide leadership and cultural transformation expertise for healthcare provider clients.

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The acquisition date fair value of the consideration transferred for Studer Group was $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 following table summarizes the 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

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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 June 30, 2015, revenues from Studer Group were $22.2 million and operating income was $0.8 million, which included $6.3 million of amortization expense for intangible assets acquired. For the six months ended June 30, 2015, revenues from Studer Group were $33.6 million and operating income was $2.0 million, which included $9.1 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 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 for the three and six months ended June 30, 2015 as though the companies were combined on January 1, 2014.

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Revenues	$184,019	$349,267
Net income from continuing operations	$14,648	$16,192
Net income from continuing operations per share - basic	$0.66	$0.73
Net income from continuing operations per share - diluted	$0.65	$0.72

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.

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6. Goodwill and Intangible Assets
The table below sets forth the changes in the carrying amount of goodwill by reportable segment for the six months ended June 30, 2016.

	Huron Healthcare	Huron Education and Life Sciences	Huron Business Advisory	Total
Balance as of December 31, 2015:				
Goodwill	$ 610,264	$ 102,906	$ 181,213	$ 894,383
Accumulated impairment	—	—	(142,983)	(142,983)
Goodwill, net as of December 31, 2015	610,264	102,906	38,230	751,400
Goodwill recorded in connection with business acquisitions	13,885	—	21,824	35,709
Foreign currency translation	—	—	245	245
Goodwill, net as of June 30, 2016	$ 624,149	$ 102,906	$ 60,299	$ 787,354

Refer to Note 5 “Acquisitions” for additional information on our recent acquisitions.
Intangible assets as of June 30, 2016 and December 31, 2015 consisted of the following:

		June 30, 2016		December 31, 2015	
	Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	5 to 13	$ 85,377	$ 28,007	$ 79,449	$ 22,360
Customer contracts	1 to 4	26,097	16,665	25,332	11,943
Trade names	5	22,930	8,523	22,800	5,396
Technology and software	3 to 5	9,250	2,125	4,180	1,324
Non-competition agreements	1 to 5	4,205	1,926	3,415	1,498
Publishing content	3	3,300	1,513	3,300	963
Favorable lease contract	3	720	92	—	—
In-process technology	Indefinite	370	—	—	—
Total		$ 152,249	$ 58,851	$ 138,476	$ 43,484

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. The majority of customer relationships and certain customer contracts, trade names, and technology and software are amortized on an accelerated basis to correspond to the cash flows expected to be derived from the assets. All other intangible assets with finite lives are amortized on a straight-line basis. In connection with the acquisition of MyRounding, we acquired in-process technology which is accounted for as an indefinite-lived intangible asset until the development of the technology is complete, at which point we will determine the useful life and amortize it accordingly. Refer to Note 5 "Acquisitions" for additional information on the acquisition of MyRounding.

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Intangible asset amortization expense was $8.2 million and $8.1 million for the three months ended June 30, 2016, and 2015, respectively. Intangible assets amortization expense was $15.6 million and $12.8 million for the six months ended June 30, 2016, and 2015, respectively. The table below sets forth the estimated annual amortization expense for the year ending December 31, 2016 and each of the five succeeding years for the definite-lived intangible assets recorded as of June 30, 2016.

Year Ending December 31,	Estimated Amount
2016	$ 31,544
2017	$ 28,456
2018	$ 18,096
2019	$ 11,905
2020	$ 7,677
2021	$ 4,521

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

7. 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income from continuing operations	$16,139	$14,148	$23,005	$15,116
Income (loss) from discontinued operations, net of tax	(970)	4,685	(1,834)	5,219
Net income	$15,169	$18,833	$21,171	$20,335
Weighted average common shares outstanding – basic	21,061	22,220	21,088	22,174
Weighted average common stock equivalents	315	434	330	454
Weighted average common shares outstanding – diluted	21,376	22,654	21,418	22,628
Net earnings per basic share:				
Net income from continuing operations	$0.77	$0.64	$1.09	$0.68
Income (loss) from discontinued operations, net of tax	(0.05)	0.21	(0.09)	0.24
Net income	$0.72	$0.85	$1.00	$0.92
Net earnings per diluted share:				
Net income from continuing operations	$0.76	$0.62	$1.07	$0.67
Income (loss) from discontinued operations, net of tax	(0.05)	0.21	(0.08)	0.23
Net income	$0.71	$0.83	$0.99	$0.90

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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 June 30,	
	2016	2015
Unvested restricted stock awards	2	—
Convertible senior notes	3,129	3,129
Warrants related to the issuance of convertible senior notes	3,129	3,129
Total anti-dilutive securities	6,260	6,258

See Note 8 “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 could, from time to time, repurchase up to $50 million of our common stock through October 31, 2015 (the “October 2014 Share Repurchase Program”). In the fourth quarter of 2015, our board of directors authorized an extension of the October 2014 Share Repurchase Program through October 31, 2016, and authorized an increase to the October 2014 Share Repurchase Program to $125 million. 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 first quarter of 2016, 982,192 shares were repurchased and retired for $55.3 million under the October 2014 Share Repurchase Program. No shares were repurchased in the second quarter of 2016. As of June 30, 2016, $35.1 million remains available for share repurchases under the October 2014 Share Repurchase Program.

8. Financing Arrangements

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

	June 30, 2016	December 31, 2015
1.25% convertible senior notes due 2019	$219,674	$215,376
Senior secured credit facility	115,000	92,000
Total long-term debt	$334,674	$307,376

A summary of the scheduled maturities of our debt follows:

	Scheduled Maturities of Long-Term Debt
2019	$ 250,000
2020	$ 115,000

Convertible Notes

In September 2014, the Company issued $250.0 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.

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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 convertible note hedge transactions and 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.

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 June 30, 2016, the remaining life of the Convertible Notes is 3.3 years. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

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 recorded as a deduction to the carrying amount of the liability and amortized to interest expense over the term of the Convertible Notes; and transaction costs attributable to the equity component are 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.

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As of June 30, 2016 and December 31, 2015, the Convertible Notes consisted of the following:

	June 30, 2016	December 31, 2015
Liability component:		
Proceeds	$250,000	$250,000
Less: debt discount, net of amortization	(26,307)	(30,007)
Less: debt issuance costs, net of amortization	(4,019)	(4,617)
Net carrying amount	$219,674	$215,376
Equity component[(1)]	$39,287	$39,287

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Contractual interest coupon	$781	$781	$1,563	$1,563
Amortization of debt discount	1,861	1,775	3,699	3,529
Amortization of debt issuance costs	300	295	598	588
Total interest expense	$2,942	$2,851	$5,860	$5,680

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.

- 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 on 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

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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

The Company has a $500 million five-year senior secured revolving credit facility, subject to the terms of a Second Amended and Restated Credit Agreement dated as of March 31, 2015 (the "Amended Credit Agreement"), that becomes due and payable in full upon maturity on March 31, 2020. The Amended Credit Agreement provides 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 a prior credit agreement, and future borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, acquisitions of businesses, 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 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 (defined as the ratio of debt to consolidated EBITDA) 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 (defined as the ratio of consolidated EBITDA to interest) of 3.50 to 1.00. Consolidated EBITDA for purposes of the financial covenants is calculated on a continuing operations basis and includes adjustments to add back share-based compensation costs, certain non-cash restructuring charges, and pro forma historical EBITDA for businesses acquired. At June 30, 2016, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 2.12 to 1.00 and a Consolidated Interest Coverage Ratio of 19.69 to 1.00.

Borrowings outstanding under the Amended Credit Agreement at June 30, 2016 totaled $115.0 million. These borrowings carried a weighted average interest rate of 2.3%, including the effect of the interest rate swap described below in Note 10 “Derivative Instruments and Hedging Activity." Borrowings outstanding under the Amended Credit Agreement at December 31, 2015 were $92.0 million and carried a weighted average interest rate of 2.4%. 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

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June 30, 2016, we had outstanding letters of credit totaling $4.8 million, which are primarily used as security deposits for our office facilities. As of June 30, 2016, the unused borrowing capacity under the revolving credit facility was $380.2 million.

9. Restructuring Charges

During the second quarter of 2016, we incurred a $1.7 million pretax restructuring charge. Of the $1.7 million charge, $1.2 million related to workforce reductions in our Healthcare segment to better align our resources with market demand and $0.3 million related to updated assumptions for the lease accrual of the Washington, D.C. space vacated in the fourth quarter of 2014.

During the first quarter of 2016, we incurred a $1.3 million pretax restructuring charge. The $1.3 million charge primarily consisted of $0.8 million related to workforce reductions in our corporate operations as we adjust our infrastructure to align with our Huron Legal divestiture, $0.2 million related to updated assumptions for the lease accrual of the Washington, D.C. space, and $0.2 million related to the wind down of our foreign consulting operations based in the Middle East.

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 wound 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 $0.7 million pretax restructuring charge related to workforce reductions to better align our resources with market demand, primarily in our All Other segment.

The table below sets forth the changes in the carrying amount of our restructuring charge liability by restructuring type for the six months ended June 30, 2016.

	Employee Costs	Office Space Reductions	Other	Total
Balance as of December 31, 2015	$ 2,323	$ 6,379	$ —	$ 8,702
Additions (1)	3,449	56	453	3,958
Payments	(4,321)	(664)	(248)	(5,233)
Adjustments (1)	(241)	656	(8)	407
Non-cash items	—	(4)	(149)	(153)
Balance as of June 30, 2016 (2)	$ 1,210	$ 6,423	$ 48	$ 7,681

(1) Additions and adjustments for the six months ended June 30, 2016 include a total of $1.4 million related to discontinued operations. Refer to Note 4 "Discontinued Operations" for additional information.

(2) The total restructuring charge liability as of June 30, 2016 includes $5.9 million related to discontinued operations. Refer to Note 4 "Discontinued Operations" for additional information on our discontinued operations.

As of June 30, 2016, our restructuring charge liability related to office space reductions of $6.4 million represented the present value of remaining lease payments, net of estimated sublease income, for our vacated office spaces in Washington, D.C., New York, and Houston. The $1.2 million restructuring charge liability related to employee costs is expected to be paid in the next 12 months. The restructuring charge liabilities are included as a component of accrued expenses and deferred compensation and other liabilities.

10. Derivative Instruments and Hedging Activity

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

On May 30, 2012, we entered into an amortizing interest rate swap agreement effective May 31, 2012, which ended 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 amortized throughout the term. Under the terms of the interest

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rate swap agreement, we received from the counterparty interest on the notional amount based on one-month LIBOR and we paid to the counterparty a fixed rate of 0.70%.

On April 4, 2013, we entered into a forward amortizing interest rate swap agreement effective March 31, 2014 and ending August 31, 2017. 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 $60.0 million and amortized quarterly until April 2016. Upon expiration of the two interest rate swaps in April 2016 described above, the notional amount of this interest rate swap increased to $86.0 million and continues to amortize quarterly throughout the remaining 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 0.985%.

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 June 30, 2016, it was anticipated that $0.2 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 six months ended June 30, 2016.

The table below sets forth additional information relating to these interest rate swaps designated as cash flow hedging instruments as of June 30, 2016 and December 31, 2015.

Balance Sheet Location	Fair Value (Derivative Asset and Liability) June 30, 2016	December 31, 2015
Other non-current assets	$ —	$ 86
Accrued expenses	$ 356	$ 242
Deferred compensation and other liabilities	$ 41	$ —

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 our consolidated balance sheet. All of the Company's derivative instruments as of June 30, 2016 and December 31, 2015 were held with the same counterparty.

We do not use derivative instruments for trading or other speculative purposes. Refer to Note 12 "Other Comprehensive Income (Loss)" for additional information on our derivative instruments.

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11. 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 includes 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 June 30, 2016 and December 31, 2015.

	Level 1	Level 2	Level 3	Total
June 30, 2016				
Assets:				
Promissory note	$ —	$—	$2,337	$2,337
Convertible debt investment	—	—	36,261	36,261
Total assets	$ —	$—	$38,598	$38,598
Liabilities:				
Interest rate swap	$ —	$397	$—	$397
Contingent consideration for business acquisitions	—	—	8,563	8,563
Total liabilities	$ —	$397	$8,563	$8,960
December 31, 2015				
Assets:				
Promissory note	$ —	$—	$2,309	$2,309
Convertible debt investment	—	—	34,831	34,831
Total assets	$ —	$—	$37,140	$37,140
Liabilities:				
Interest rate swaps	$ —	$156	$—	$156
Contingent consideration for business acquisition	—	—	2,063	2,063
Total liabilities	$ —	$156	$2,063	$2,219

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 us 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 six months of 2016 reflects the accretion of interest income in excess of interest payments received, partially offset by updated cash flow assumptions. As of June 30, 2016, the present value of the payments expected to be received in the next 12 months of $0.5 million is recorded in prepaid expenses and other current assets, and the remaining $1.8 million is recorded in other non-current assets.

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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 2014 and 2015, we invested $27.9 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 to and retention of international students, boost institutional growth, and enhance an institution's global footprint. The notes will mature on July 1, 2020, unless converted earlier.

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 debt 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 a Monte Carlo simulation model, 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. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the investment, which would result in different impacts to our consolidated balance sheet and comprehensive income. Actual results may differ from our estimates. An unrealized pretax gain of $1.4 million was recorded in other comprehensive income for the first half of 2016. 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 our practice leaders and management. Any change in the fair value estimate is recorded in the earnings of that period. During the first quarter of 2016, we recorded a $6.5 million contingent consideration liability for one acquisition completed during the quarter. There was no change to the fair value of the outstanding contingent consideration liabilities in the first half of 2016. Refer to Note 5 "Acquisitions" for information on the acquisition completed in the first quarter of 2016. At June 30, 2016, 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 8 "Financing Arrangements."

Convertible Notes

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

	June 30, 2016		December 31, 2015
	Carrying	Estimated	

	Amount	Fair Value	Carrying Amount	Estimated Fair Value
1.25% convertible senior notes due 2019	$219,674	$252,738	$215,376	$248,010

The differences between the $250.0 million principal amount of the Convertible Notes and the carrying amounts shown above represent the unamortized debt discount and issuance costs. As of June 30, 2016 and December 31, 2015, the carrying value of

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the equity component of $39.3 million was unchanged from the date of issuance. Refer to Note 8 “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 June 30, 2016 and December 31, 2015.

Based on the closing price of our common stock of $60.42 on June 30, 2016, 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.

12. Other Comprehensive Income (Loss)

The tables below sets forth the components of other comprehensive income (loss), net of tax, for the three and six months ended June 30, 2016 and 2015.

	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Other comprehensive income (loss):						
Foreign currency translation adjustment	$(19)	$ —	$(19)	$829	$21	$850
Unrealized gain (loss) on investment	$(995)	$ 398	$(597)	$6,711	$(2,526)	$4,185
Unrealized gain (loss) on cash flow hedges:						
Change in fair value	$(160)	$ 62	$(98)	$(129)	$53	$(76)
Reclassification adjustments into earnings	106	(42)	64	206	(82)	124
Net unrealized gain (loss)	$(54)	$ 20	$(34)	$77	$(29)	$48
Other comprehensive income (loss)	$(1,068)	$ 418	$(650)	$7,617	$(2,534)	$5,083

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Other comprehensive income (loss):						
Foreign currency translation adjustment	$2	$ —	$2	$385	$29	$414
Unrealized gain on investment	$1,430	$ (555)	$875	$6,661	$(2,526)	$4,135
Unrealized gain (loss) on cash flow hedges:						
Change in fair value	$(463)	$ 181	$(282)	$(690)	$275	$(415)
Reclassification adjustments into earnings	222	(88)	134	423	(169)	254
Net unrealized loss	$(241)	$ 93	$(148)	$(267)	$106	$(161)
Other comprehensive income	$1,191	$ (462)	$729	$6,779	$(2,391)	$4,388

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

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

	Foreign Currency Translation Adjustments	Net Unrealized Gain on Investment	Net Unrealized Loss on Derivatives	Accumulated Other Comprehensive Income
Balance, December 31, 2015	$ (517)	$ 4,185	$ (83)	$ 3,585
Current period change	2	875	(148)	729
Balance, June 30, 2016	$ (515)	$ 5,060	$ (231)	$ 4,314

13. Income Taxes

The Company’s effective tax rates for the three months ended June 30, 2016 and 2015 were 33.8% and 41.4%, respectively. The Company's effective tax rates for the six months ended June 30, 2016 and 2015 were 34.7% and 44.0%, respectively. The effective tax rate for the three and six months ended June 30, 2016 was lower than the statutory tax rate, inclusive of state income taxes, primarily due to a discrete favorable adjustment to our state tax rate and a discrete tax benefit related to share-based compensation, as well as certain credits and deductions and the release of valuation allowances previously established on certain foreign tax credits, partially offset by non-deductible business expenses. The effective tax rate for the three and six months ended June 30, 2015 was higher than the statutory tax rate, inclusive of state income taxes, primarily due to foreign losses with no tax benefit and certain non-deductible expenses.

14. Commitments, Contingencies and Guarantees

Litigation

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 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 $4.8 million were outstanding at both June 30, 2016 and December 31, 2015, primarily to support certain office lease obligations.

In connection with certain business acquisitions, we may be required to pay post-closing consideration to the sellers if specific financial performance targets are met over a number of years as specified in the related purchase agreements. As of June 30, 2016 and December 31, 2015, the estimated fair value of our contingent consideration liability was $8.6 million and $2.1 million, respectively.

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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15. 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 four operating segments, which are our reportable segments: Huron Healthcare, Huron Education and Life Sciences, Huron Business Advisory, and All Other.

•Huron Healthcare

Our Huron Healthcare segment provides strategic advisory, consulting, and technology solutions to national and regional hospitals and integrated health systems, academic medical centers, community hospitals, and physician practices. We deliver solutions to address challenges in the rapidly evolving healthcare environment to improve quality and patient outcomes, increase revenue, reduce expenses, and enhance physician, patient, 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 technology solutions to the higher education, academic medical center, pharmaceutical and medical device, and research industries. We work with our clients to develop and implement strategic priorities, 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 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, and to creditors, owners, and other key constituents. Our Business Advisory practice resolves complex business issues and enhances client enterprise value through a suite of services including capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory. Our Enterprise Performance Management and Analytics practice 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's global presence and remote delivery capabilities help clients drive results and gain a competitive advantage.

•All Other

Our All Other segment consists of any line of business not managed by our other operating segments. These businesses included our public sector consulting practice and our foreign consulting operations based in the Middle East, both of which we wound down in 2015.

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 six months ended June 30, 2016 and 2015, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements. Refer to Note 4 "Discontinued Operations" for information on the divestiture of the Huron Legal segment in 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Huron Healthcare:				
Revenues	$106,088	$118,506	$220,106	$216,510
Operating income	$41,399	$45,531	$80,405	$74,511
Segment operating income as a percentage of segment revenues	39.0 %	38.4 %	36.5 %	34.4 %
Huron Education and Life Sciences:				
Revenues	$45,116	$42,939	$88,354	$82,836
Operating income	$13,075	$13,174	$23,283	$24,954
Segment operating income as a percentage of segment revenues	29.0 %	30.7 %	26.4 %	30.1 %
Huron Business Advisory:				
Revenues	$33,055	$22,186	$56,288	$37,924
Operating income	$9,263	$6,684	$11,962	$8,283
Segment operating income as a percentage of segment revenues	28.0 %	30.1 %	21.3 %	21.8 %
All Other:				
Revenues	$—	$388	$—	$1,175
Operating loss	$—	$(530)	$—	$(1,522)
Segment operating loss as a percentage of segment revenues	N/M	N/M	N/M	N/M
Total Company:				
Revenues	$184,259	$184,019	$364,748	$338,445
Reimbursable expenses	18,982	20,867	35,543	37,175
Total revenues and reimbursable expenses	$203,241	$204,886	$400,291	$375,620
Statements of Earnings reconciliation:				
Segment operating income	$63,737	$64,859	$115,650	$106,226
Items not allocated at the segment level:				
Other operating expenses and loss, net	27,970	29,603	58,093	57,745
Depreciation and amortization expense	7,558	6,459	14,972	11,748
Other expense, net	3,847	4,662	7,347	9,738
Income from continuing operations before income tax expense	$24,362	$24,135	$35,238	$26,995

N/M – Not Meaningful

At June 30, 2016 and December 31, 2015, no single client accounted for greater than 10% of our combined receivables and unbilled services balances. During the three and six months ended June 30, 2016, and 2015, no single client generated greater than 10% of our consolidated revenues.

16. Subsequent Event

On July 25, 2016, we entered into an agreement to acquire Healthcare Services Management, Inc. ("HSM Consulting"), a firm specializing in healthcare information technology and management consulting. The results of operations of HSM Consulting will be included within the Huron Healthcare segment from the close date, which we anticipate will be in the third quarter of 2016.

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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 (the "Exchange Act") 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," "estimates," "plans," "continues," or "outlook" or similar expressions. These forward-looking statements reflect our current expectation 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, 2015 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

Huron is a global professional services firm focused on assisting clients with their most complex business issues by delivering high-value, quality solutions to support their long-term strategic objectives. We specialize in serving clients in the healthcare, higher education, life sciences, and commercial sectors as these organizations face significant transformational change and regulatory or economic pressures in dynamic market environments. With our deep industry and technical expertise, we provide advisory, consulting, technology, and analytic solutions 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, and governmental entities. Huron has worked with more than 450 health systems, hospitals, and academic medical centers and more than 400 universities and research institutions.

We provide professional services through four operating segments: Huron Healthcare, Huron Education and Life Sciences, Huron Business Advisory and All Other.

•Huron Healthcare

Our Huron Healthcare segment provides strategic advisory, consulting, and technology solutions to national and regional hospitals and integrated health systems, academic medical centers, community hospitals, and physician practices. We deliver solutions to address challenges in the rapidly evolving healthcare environment to improve quality and patient outcomes, increase revenue, reduce expenses, and enhance physician, patient, 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 technology solutions to the higher education, academic medical center, pharmaceutical and medical device, and research industries. We work with our clients to develop and implement strategic priorities, 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.

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•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, and to creditors, owners, and other key constituents. Our Business Advisory practice resolves complex business issues and enhances client enterprise value through a suite of services including capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory. Our Enterprise Performance Management and Analytics practice 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's global presence and remote delivery capabilities help clients drive results and gain a competitive advantage.
•All Other
Our All Other segment consists of any line of business not managed by our other operating segments. These businesses included our public sector consulting practice and our foreign consulting operations based in the Middle East, both of which we wound down in 2015.
Acquisitions
ADI Strategies, Inc.
On May 1, 2016, we completed our acquisition of the U.S. assets of ADI Strategies, Inc. ("ADI Strategies"). Based in San Francisco, ADI Strategies is a leading enterprise performance management, risk management, and business intelligence firm focused on implementing the Oracle enterprise application suite. The results of operations of ADI Strategies have been included in our consolidated financial statements and the results of operations of our Huron Business Advisory segment from the date of acquisition. We are also in the process of acquiring the international assets of ADI Strategies in Dubai and India, for which we expect to sign an agreement in the third quarter of 2016.
My Rounding Solutions, LLC
On February 1, 2016, we completed our acquisition of My Rounding Solutions, LLC ("MyRounding"), a Denver, Colorado-based firm specializing in digital health solutions to improve patient care. The MyRounding application is designed to standardize, automate and track rounding activity, allowing nurses and staff to improve the care and experience of patients in real time. The addition of MyRounding expands the integration of our software and consulting solutions and strengthens our transformation services for healthcare providers. The results of operations of MyRounding have been included in our consolidated financial statements and segment operating results of our Huron Healthcare segment from the date of acquisition.
How We Generate Revenues
A large portion of our revenues is generated by our full-time consultants who provide consulting services to our clients and are billable to our clients based on the number of hours worked. A smaller portion of our revenues is generated by our other professionals, also referred to as full-time equivalents, many of whom work variable schedules as needed by our clients. Full-time equivalent professionals consists of our cultural transformation consultants from our Studer Group solution, which include coaches and their support staff, specialized finance and operational consultants, and our employees who provide software support and maintenance services to our clients. 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. 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: fixed-fee (including software license revenue), time-and-expense, performance-based, and software support and maintenance and subscriptions.

In fixed-fee billing arrangements, we agree to a pre-established fee in exchange for a predetermined 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. Contracts within our Studer Group solution are fixed-fee partner contracts with multiple deliverables, which primarily consist of coaching services, as well as seminars, materials and software products ("Partner Contracts"). Revenues for coaching services and software products are generally recognized on a straight-line basis over the length of the contract. All other revenues under Partner Contracts are recognized at the time the service is provided.

Fixed-fee arrangements also include software licenses for our revenue cycle management software and research administration and compliance software. 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.

Fixed-fee engagements represented 47.6% and 58.1% of our revenues for the three months ended June 30, 2016 and 2015, respectively, and 50.6% and 56.9% of our revenues for the six months ended June 30, 2016 and 2015, respectively.

Time-and-expense billing arrangements require the client to pay based on the number of hours worked by our revenue-generating professionals at agreed upon rates. Time-and-expense arrangements also include certain speaking engagements, conferences, and publication orders purchased by our clients outside of Partner Contracts within our Studer Group solution. We recognize revenues under time-and-expense billing arrangements as the related services or publications are provided. Time-and-expense engagements represented 37.1% and 26.5% of our revenues for the three months ended June 30, 2016 and 2015, respectively, and 35.2% and 28.4% of our revenues for the six months ended June 30, 2016 and 2015, 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 predefined 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 10.6% and 11.0% of our revenues for the three months ended June 30, 2016 and 2015, respectively, and 9.5% and 10.0% of our revenues for the six months ended June 30, 2016 and 2015, 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 that have purchased one of our software licenses can pay an annual fee for software support and maintenance. We also generate subscription revenue from our cloud-based analytic tools and solutions. Software support and maintenance and subscription-based revenues are recognized ratably over the support or subscription period, which ranges from one to three years. These fees are billed in advance and included in deferred revenues until recognized. Software support and maintenance and subscription-based revenues represented 4.7% and 4.4% of our revenues for the three months ended June 30, 2016 and 2015, respectively, and 4.7% of our revenues for the six months ended both June 30, 2016 and 2015.

Our quarterly results are impacted principally by our full-time consultants' utilization rate, the billing rates 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

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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.

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. The results of operations for acquired businesses have been included in our results of operations since the date of their respective acquisition.

	Three Months Ended June 30,		Six Months Ended June 30,	
Segment and Consolidated Operating Results (in thousands):	2016	2015	2016	2015
Huron Healthcare:				
Revenues	$106,088	$118,506	$220,106	$216,510
Operating income	$41,399	$45,531	$80,405	$74,511
Segment operating income as a percentage of segment revenues	39.0 %	38.4 %	36.5 %	34.4 %
Huron Education and Life Sciences:				
Revenues	$45,116	$42,939	$88,354	$82,836
Operating income	$13,075	$13,174	$23,283	$24,954
Segment operating income as a percentage of segment revenues	29.0 %	30.7 %	26.4 %	30.1 %
Huron Business Advisory:				
Revenues	$33,055	$22,186	$56,288	$37,924
Operating income	$9,263	$6,684	$11,962	$8,283
Segment operating income as a percentage of segment revenues	28.0 %	30.1 %	21.3 %	21.8 %
All Other:				
Revenues	$—	$388	$—	$1,175
Operating loss	$—	$(530)	$—	$(1,522)
Segment operating loss as a percentage of segment revenues	N/M	N/M	N/M	N/M
Total Company:				
Revenues	$184,259	$184,019	$364,748	$338,445
Reimbursable expenses	18,982	20,867	35,543	37,175
Total revenues and reimbursable expenses	$203,241	$204,886	$400,291	$375,620
Statements of Earnings reconciliation:				
Segment operating income	$63,737	$64,859	$115,650	$106,226
Items not allocated at the segment level:				
Other operating expenses and loss, net	27,970	29,603	58,093	57,745
Depreciation and amortization expense	7,558	6,459	14,972	11,748
Total operating income	$28,209	$28,797	$42,585	$36,733
Other Operating Data (excluding All Other):				
Number of full-time billable consultants (at period end) (1):				
Huron Healthcare	952	1,087	952	1,087
Huron Education and Life Sciences	507	428	507	428
Huron Business Advisory	437	204	437	204

Total	1,896	1,719	1,896	1,719
Average number of full-time billable consultants (for the period) [1]:				
Huron Healthcare	1,005	1,090	1,015	1,099
Huron Education and Life Sciences	500	427	494	425
Huron Business Advisory	393	206	354	206
Total	1,898	1,723	1,863	1,730

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Other Operating Data (continued):	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Full-time billable consultant utilization rate (2):				
Huron Healthcare	78.1 %	75.8 %	79.3 %	74.1 %
Huron Education and Life Sciences	71.3 %	76.0 %	71.4 %	76.2 %
Huron Business Advisory	74.8 %	75.1 %	73.5 %	72.4 %
Total	75.6 %	75.8 %	76.1 %	74.4 %
Full-time billable consultant average billing rate per hour (3):				
Huron Healthcare	$211	$230	$212	$221
Huron Education and Life Sciences	$229	$237	$228	$231
Huron Business Advisory (4)	$217	$292	$209	$261
Total	$216	$239	$215	$228
Revenue per full-time billable consultant (in thousands):				
Huron Healthcare	$76	$82	$158	$153
Huron Education and Life Sciences	$79	$86	$158	$168
Huron Business Advisory	$80	$104	$152	$179
Total	$78	$86	$157	$160
Average number of full-time equivalents (for the period) (5):				
Huron Healthcare	198	188	199	159
Huron Education and Life Sciences	38	33	38	35
Huron Business Advisory	19	8	13	6
Total	255	229	250	200
Revenue per full-time equivalent (in thousands):				
Huron Healthcare	$148	$156	$299	$302
Huron Education and Life Sciences	$148	$183	$271	$330
Huron Business Advisory	$92	$95	$203	$184
Total	$144	$158	$290	$303

(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 our India EPM&A practice, formerly known as Rittman Mead Consulting Private Limited ("Rittman Mead India"), a business that we acquired in July 2015. Absent the impact of our India EPM&A practice, the average billing rate per hour for Huron Business Advisory for the three and six months ended June 30, 2016 would have been $254 and $243 per hour, respectively.

(5) Consists of cultural transformation consultants within our Studer Group solution, which include coaches and their support staff, consultants who work variable schedules as needed by our clients, 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 from continuing operations, and adjusted diluted earnings per share from continuing operations 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, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues	$184,259	$184,019	$364,748	$338,445
Net income from continuing operations	$16,139	$14,148	$23,005	$15,116
Add back:				
Income tax expense	8,223	9,987	12,233	11,879
Interest and other expenses	3,847	4,662	7,347	9,738
Depreciation and amortization	11,398	11,369	22,198	19,112
Earnings before interest, taxes, depreciation and amortization (EBITDA)	39,607	40,166	64,783	55,845
Add back:				
Restructuring charges	1,747	601	3,080	1,257
Other loss, net	—	750	—	524
Adjusted EBITDA	$41,354	$41,517	$67,863	$57,626
Adjusted EBITDA as a percentage of revenues	22.4 %	22.6 %	18.6 %	17.0 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income from continuing operations	$16,139	$14,148	$23,005	$15,116
Weighted average shares – diluted	21,376	22,654	21,418	22,628
Diluted earnings per share from continuing operations	$0.76	$0.62	$1.07	$0.67
Add back:				
Amortization of intangible assets	8,153	8,141	15,598	12,772

Restructuring charges	1,747	601	3,080	1,257
Other loss, net	—	750	—	524
Non-cash interest on convertible notes	1,861	1,775	3,699	3,529
Tax effect	(4,622)	(4,439)	(8,794)	(7,124)
Total adjustments, net of tax	7,139	6,828	13,583	10,958
Adjusted net income from continuing operations	$23,278	$20,976	$36,588	$26,074
Adjusted diluted earnings per share from continuing operations	$1.09	$0.93	$1.71	$1.15

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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.
Other loss, net: We have excluded the effect of the litigation loss recorded in the second quarter of 2015 and the remeasurement gain related to a contingent acquisition liability recorded in the first quarter of 2015 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 from continuing operations 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 from continuing operations.
Tax effect: The non-GAAP income tax adjustment reflects the incremental tax rate applicable to the non-GAAP adjustments.
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.

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Revenues

Revenues increased $0.2 million, or 0.1%, to $184.3 million for the second quarter of 2016 from $184.0 million for the second quarter of 2015. Second quarter 2016 revenues included $8.6 million from our acquisitions of Rittman Mead India, Cloud62, Inc., MyRounding, and ADI Strategies, all of which were completed subsequent to the second quarter of 2015.

Of the overall $0.2 million increase in revenues, $0.6 million was attributable to our full-time equivalents, partially offset by a $0.4 million decrease in revenue attributable to our full-time billable consultants.

The decrease in full-time billable consultant revenues reflected a decrease in the average billing rate, partially offset by an increase in the average number of billable consultants. As discussed below in Segment Results, this decrease in revenue attributable to our full-time billable consultants reflected decreased demand for our services in the Huron Healthcare segment, mostly offset by acquisitions within the Huron Business Advisory segment and strengthened demand for our services in both the Huron Business Advisory and Huron Education and Life Sciences segments.

The increase in revenues from our full-time equivalents reflected an increase in the average number of full-time equivalents, partially offset by a decrease in revenue per full-time equivalent.

Total Direct Costs

Our total direct costs, including amortization of intangible assets and software development costs, increased $0.8 million, or 0.7%, to $106.9 million in the three months ended June 30, 2016, from $106.1 million in the three months ended June 30, 2015. The $0.8 million increase primarily related to a $7.2 million increase in salaries and related expenses for our revenue-generating professionals, which was primarily driven by increased headcount from acquisitions and our ongoing cloud-based enterprise resource planning (ERP) investment, largely offset by a $3.8 million decrease in performance bonus expense for our revenue-generating professionals, a $1.1 million decrease in intangible asset amortization expense, a $1.0 million decrease in share-based compensation expense for our revenue-generating professionals, and a $0.2 million decrease in product and event costs. As a percentage of revenues, our total direct costs increased to 58.0% during the second quarter of 2016 compared to 57.7% during the second quarter of 2015, primarily due to the items described above.

Total direct costs for the three months ended June 30, 2016 included $3.8 million of amortization expense for intangible assets, primarily representing customer-related assets and software acquired in business combinations, and internal software development costs, compared to $4.9 million of amortization expense for the same prior year period. The $1.1 million decrease in amortization expense was primarily attributable to the decreasing amortization expense of customer contracts acquired in our Studer Group acquisition, due to the accelerated basis of amortization, partially offset by amortization of intangible assets acquired in the ADI Strategies acquisition, which we completed in the second quarter of 2016. See Note 5 "Acquisitions" and Note 6 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about our intangible assets.

Operating Expenses and Other Loss, Net

Selling, general and administrative expenses decreased $1.6 million, or 3.8%, to $39.6 million in the second quarter of 2016 from $41.2 million in the second quarter of 2015. The $1.6 million decrease primarily related to a $1.4 million decrease in performance bonus expense for our support personnel, a $0.3 million decrease in facilities and other office related expenses, and a $0.3 million decrease in training expense, partially offset by a $0.6 million increase in promotion and marketing expense.

As a percentage of revenues, selling, general and administrative expenses decreased to 21.5% during the second quarter of 2016 compared to 22.4% during the second quarter of 2015, primarily due to the decrease in performance bonus expense for our support personnel.

Restructuring charges for the second quarter of 2016 totaled $1.7 million, compared to $0.6 million for the second quarter of 2015. The charges for the second quarter of 2016 primarily consisted of $1.2 million related to workforce reductions in our Healthcare segment to better align our resources with market demand and $0.3 million related to updated lease accrual assumptions for the Washington, D.C. space vacated in the fourth quarter of 2014. The $0.6 million charge for the second quarter of 2015 primarily related to workforce reductions in our All Other segment as we wound down our public sector consulting practice and our foreign consulting operations based in the Middle East. Depreciation and amortization expense increased by $1.1 million to $7.6 million in the three months ended June 30, 2016, from $6.5 million in the three months ended June 30, 2015. The increase was primarily attributable to an increase in amortization expense for a customer-related intangible asset acquired in the Studer Group acquisition and amortization expense for intangible assets acquired in the ADI Strategies acquisition. Intangible asset amortization included within operating expenses primarily relates to certain customer

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relationships, non-competition agreements, and trade names acquired in connection with our business acquisitions. See Note 5 "Acquisitions" and Note 6 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about our intangible assets.

Operating Income

Operating income decreased $0.6 million, or 2.0%, to $28.2 million in the second quarter of 2016 from $28.8 million in the second quarter of 2015. Operating margin, which is defined as operating income expressed as a percentage of revenues, decreased to 15.3% in the three months ended June 30, 2016, compared to 15.6% in the three months ended June 30, 2015. The decrease in operating margin was primarily attributable to the increase in salaries and related expenses for our revenue-generating professionals, largely offset by the decreases in performance bonus expense for both our revenue-generating professionals and support personnel and share-based compensation expense for our revenue-generating professionals during the second quarter of 2016 compared to the second quarter of 2015.

Other Expense, Net

Total other expense, net decreased by $0.8 million to $3.8 million in the second quarter of 2016 from $4.7 million in the second quarter of 2015. The decrease was primarily attributable to a $0.6 million decrease in interest expense. The decrease in interest expense was primarily due to lower levels of borrowings under our credit facility during the second quarter of 2016 compared to the second quarter of 2015.

Income Tax Expense

For the second quarter of 2016, our effective tax rate was 33.8% as we recognized income tax expense from continuing operations of $8.2 million on income from continuing operations of $24.4 million. For the second quarter of 2015, our effective tax rate was 41.4% as we recognized income tax expense from continuing operations of $10.0 million on income from continuing operations of $24.1 million. The effective tax rate for the three months ended June 30, 2016 was lower than the statutory rate, inclusive of state income taxes, primarily due to a discrete favorable adjustment to our state tax rate and a discrete tax benefit related to share-based compensation, as well as certain credits and deductions and the release of valuation allowances previously established on certain foreign tax credits, partially offset by non-deductible business expenses. The effective tax rate for the three months ended June 30, 2015 was higher than the statutory tax rate, inclusive of state income taxes, primarily due to foreign losses with no tax benefit and certain non-deductible expenses.

Net Income from Continuing Operations

Net income from continuing operations increased by $2.0 million, or 14.1%, to $16.1 million for the three months ended June 30, 2016, from $14.1 million for the same period last year. As a result of the increase in net income from continuing operations, coupled with the reduction in diluted shares outstanding due to the share repurchases in the fourth quarter of 2015 and first quarter of 2016, diluted earnings per share from continuing operations for the second quarter of 2016 was $0.76 compared to $0.62 for the second quarter of 2015.

Discontinued Operations

Net loss from discontinued operations for the three months ended June 30, 2016 was $1.0 million and primarily related to employee benefit obligations and updated lease assumptions for vacated office space directly related to the sale of the Huron Legal segment. Net income from discontinued operations was $4.7 million for the three months ended June 30, 2015. See Note 4 "Discontinued Operations" within the notes to our consolidated financial statements for additional information about our discontinued operations.

EBITDA and Adjusted EBITDA

EBITDA decreased $0.6 million to $39.6 million for the three months ended June 30, 2016, from $40.2 million for the three months ended June 30, 2015. Adjusted EBITDA decreased $0.2 million to $41.4 million in the second quarter of 2016 from $41.5 million in the second quarter of 2015.

Adjusted Net Income from Continuing Operations

Adjusted net income from continuing operations increased $2.3 million, or 11.0%, to $23.3 million in the second quarter of 2016 compared to $21.0 million in the second quarter of 2015. The increase was primarily attributable to the decrease in the effective tax rate, as described above in Income Tax Expense, and the decrease in cash interest expense. As a result of the increase in adjusted net income from continuing operations, coupled with the reduction in diluted shares outstanding due to the share repurchases in the fourth quarter of 2015 and first quarter of 2016, adjusted diluted earnings per share from continuing operations was $1.09 for the second quarter of 2016, compared to $0.93 for the second quarter of 2015.

Segment Results

Huron Healthcare

Revenues

Huron Healthcare segment revenues decreased $12.4 million, or 10.5%, to $106.1 million for the second quarter of 2016 from $118.5 million for the second quarter of 2015. Revenues for the second quarter of 2016 included $0.4 million from our acquisition of MyRounding completed in the first quarter of 2016.

During the three months ended June 30, 2016, revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 70.0%, 10.4%, 14.0%, and 5.6% of this segment's revenues, respectively, compared to 73.6%, 7.5%, 13.8%, and 5.1% of this segment's revenues, respectively, for the same prior year period.

The overall $12.4 million decrease in revenues was attributable to a decrease in revenue from our full-time billable consultants. The lower revenue reflected decreases in the average billing rate and average number of full-time billable consultants, partially offset by an increase in consultant utilization. This decrease in revenue was primarily driven by decreases in revenue in our revenue cycle and cost and clinical solutions compared to the prior year.

Performance-based fee revenue was $14.8 million during the second quarter of 2016 compared to $16.3 million during the second quarter of 2015. 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 decreased $4.1 million, or 9.1%, to $41.4 million for the three months ended June 30, 2016, from $45.5 million for the three months ended June 30, 2015. The Huron Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, increased to 39.0% for the second quarter of 2016 from 38.4% in the same period last year. The increase in this segment's operating margin was primarily attributable to a decrease in performance bonus expense for both revenue-generating professionals and support personnel and a decrease in intangible asset amortization expense, both as percentages of revenue, partially offset by an increase in salaries and related expenses for our revenue generating professionals as a percentage of revenues and an increase in restructuring charges.

Huron Education and Life Sciences

Revenues

Huron Education and Life Sciences segment revenues increased $2.2 million, or 5.1%, to $45.1 million for the second quarter of 2016 from $42.9 million for the second quarter of 2015.

Revenues from fixed-fee engagements, time-and-expense engagements, and software support and maintenance arrangements represented 22.5%, 72.5%, and 5.0% of this segment's revenues, respectively, during the second quarter of 2016. Revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 36.9%, 57.6%, 1.2%, and 4.3% of this segment's revenues, respectively, during the second quarter of 2015.

Of the overall $2.2 million increase in revenues, $2.5 million was attributable to our full-time billable consultants, partially offset by a $0.3 million decrease in revenue generated by our full-time equivalents. The increase in revenue from our full-time billable consultants reflected an increase in the average number of full-time billable consultants, partially offset by decreases in our consultant utilization rate and the average billing rate. The decrease in revenue from our full-time equivalents was largely driven by a decrease in license revenues, and reflected a decrease in revenue per full-time equivalent, partially offset by an increase in the average number of full-time equivalents.

Operating Income

Huron Education and Life Sciences segment operating income decreased by $0.1 million, or 0.8%, to $13.1 million for the three months ended June 30, 2016, from $13.2 million for the three months ended June 30, 2015. Segment operating margin decreased to 29.0% for the second quarter of 2016 from 30.7% in the same period last year. The decrease in this segment's operating margin was primarily attributable to an increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues, which was largely the result of our ongoing cloud-based ERP investment, partially offset by decreases in contractor expense, performance bonus expense for our revenue-generating professionals, intangible asset amortization expense, and promotion and sponsorship expenses.

Huron Business Advisory

Revenues

Huron Business Advisory segment revenues increased $10.9 million, or 49.0%, to $33.1 million for the second quarter of 2016 from $22.2 million for the second quarter of 2015. Revenues for the second quarter of 2016 included $8.3 million from our acquisitions of Rittman Mead India, Cloud62, Inc., and ADI Strategies, all of which were completed subsequent to the second quarter of 2015.

Revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 10.2%, 74.6%, 14.0%, and 1.2% of this segment's revenues, respectively, during the second quarter of 2016, compared to 15.7%, 68.6%, 15.4%, and 0.3% of this segment's revenues, respectively, during the second quarter of 2015. Performance-based fee revenue was $4.6 million for the second quarter of 2016, all of which was generated by Huron Transaction Advisory LLC, our registered broker-dealer. Performance-based fee revenue was $3.4 million for the second quarter of 2015, of which $1.8 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.

Of the overall $10.9 million increase in revenues, $9.9 million was attributable to our full-time billable consultants, while $1.0 million was attributable to our full-time equivalents. The increase in revenue from our full-time billable consultants reflected an increase in the average number of full-time billable consultants, partially offset by decreases in the average billing rate and consultant utilization rate. The decrease in the average billing rate was largely the result of our acquisition of Rittman Mead India. The increase in revenue from our full-time equivalents reflected an increase in the average number of full-time equivalents, partially offset by a decrease in revenue per full-time equivalent in the second quarter of 2016 compared to the same prior year period.

Operating Income

Huron Business Advisory segment operating income increased by $2.6 million, or 38.6%, to $9.3 million for the three months ended June 30, 2016, from $6.7 million for the three months ended June 30, 2015. Segment operating margin decreased to 28.0% for the second quarter of 2016 from 30.1% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases in salaries and related expenses for our revenue-generating professionals, contractor expense, intangible asset amortization expense, and promotion and sponsorship expense, all as percentages of revenues. These decreases to operating margin were partially offset by revenue growth that outpaced an increase in performance bonus expense for our revenue-generating professionals and decreases in practice administration and meetings expense, share-based compensation expense for our revenue-generating professionals, and performance bonus expense for our support personnel.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Revenues

Revenues increased $26.3 million, or 7.8%, to $364.7 million for the first six months of 2016 from $338.4 million for the first six months of 2015. Revenues for the first six months of 2016 included $11.4 million of revenues from our acquisitions of Rittman Mead India, Cloud62, Inc., MyRounding, and ADI Strategies, all of which were completed subsequent to the second quarter of 2015, and $10.7 million of incremental revenues due to the full period impact of our acquisition of Studer Group, which we completed mid-first quarter 2015.

Of the overall $26.3 million increase in revenues, $14.4 million was attributable to our full-time billable consultants while $11.9 million was attributable to our full-time equivalents.

The increase in full-time billable consultant revenues was driven by increases in the average number of billable consultants and consultant utilization rate, partially offset by a decrease in the average billing rate. As discussed below in Segment Results, this increase in revenue reflected the acquisitions in our Huron Healthcare and Huron Business Advisory segments and strengthened demand for our services in the Huron Business Advisory and Huron Education and Life Sciences segments, partially offset by lower revenues from full-time billable consultants in our Huron Healthcare segment, which was largely driven by a decrease in revenue in our revenue cycle and cost and clinical solutions.

The increase in full-time equivalent revenues was primarily attributable to our healthcare coaches in the Huron Healthcare segment due to our acquisition of Studer Group, and reflected an increase in the average number of full-time equivalents, partially offset by a decrease in revenue per full-time equivalent.

Total Direct Costs

Our total direct costs, including amortization of intangible assets and software development costs, increased $12.2 million, or 5.8%, to $222.2 million in the six months ended June 30, 2016, from $210.0 million in the six months ended June 30, 2015. Direct costs for our Studer Group practice, which we acquired mid-first quarter 2015, totaled $23.2 million in the first half of 2016, compared to $17.7 million in the first half of 2015. The overall $12.2 million increase primarily related to a $14.5 million increase in salaries and related expenses for our revenue-generating professionals, which was primarily driven by increased headcount from acquisitions and our ongoing cloud-based ERP investment, partially offset by a $1.5 million decrease in share-based compensation expense and a $1.2 million decrease in performance bonus expense for our revenue-generating professionals. As a percentage of revenues, our total direct costs decreased to 60.9% during the first six months of 2016 compared to 62.0% during the first six months of 2015 primarily due to the decreases in performance bonus expense and share-based compensation expense for our revenue-generating professionals and a decrease in intangible amortization expense, partially offset by the increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues.

Total direct costs for the six months ended June 30, 2016 included $7.2 million of amortization expense for intangible assets, primarily representing customer-related assets and software acquired in business combinations, and internal software development costs, compared to $7.4 million of amortization expense for the same prior year period.

Operating Expenses and Other Loss, Net

Selling, general and administrative expenses increased $3.7 million, or 4.7%, to $81.7 million in the six months ended June 30, 2016, from $78.0 million in the six months ended June 30, 2015. Selling, general and administrative expenses for our Studer Group practice, which we acquired mid-first quarter 2015, totaled $12.3 million in the first half of 2016, compared to $10.2 million in the first half of 2015. The overall $3.7 million increase was primarily related to a $2.8 million increase in salaries and related expenses for our support personnel and a $0.9 million increase in promotion and sponsorship expense. As a percentage of revenues, selling, general and administrative expenses decreased to 22.4% during the first six months of 2016 compared to 23.0% during the first six months of 2015 primarily due to the revenue growth that outpaced the increase in selling, general and administrative expenses.

Restructuring charges for the first six months of 2016 totaled $3.1 million, compared to $1.3 million for the first six months of 2015. The charges for the first half of 2016 primarily consisted of $1.2 million related to workforce reductions in our Healthcare segment to better align our resources with market demand, $0.9 million related to workforce reductions in our corporate operations as we adjust our infrastructure to align with our Huron Legal divestiture, $0.5 million related to updated lease accrual assumptions for our Washington, D.C. space vacated in the fourth quarter of 2014, and $0.2 million related to the wind down of our foreign consulting operations based in the Middle East. The charges for the first half of 2015 primarily consisted of workforce reductions to better align our resources with market demand, of which $1.0 million was related to our All Other segment as part of the wind down of our public sector consulting practice and our Middle East operations, and $0.2 million was related to our corporate operations.

Depreciation and amortization expense increased by $3.2 million to $15.0 million in the six months ended June 30, 2016, from $11.7 million in the six months ended June 30, 2015. The increase was primarily attributable to amortization expense for intangible assets acquired in the Studer Group acquisition, as well as amortization expense for intangible assets acquired in the Cloud62, Inc. and ADI Strategies acquisitions. Intangible asset amortization included within operating expenses primarily relates to certain customer relationships, non-competition agreements, and trade names acquired in connection with our business acquisitions.

Operating Income

Operating income increased $5.9 million, or 15.9%, to $42.6 million in the first six months of 2016 from $36.7 million in the first six months of 2015. Operating margin increased to 11.7% in the six months ended June 30, 2016, compared to 10.9% in the six months ended June 30, 2015. The increase in operating margin was primarily attributable to the decreases in performance bonus expense and share-based compensation expense for our revenue-generating professionals, partially offset by the increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues during the first half of 2016 compared to the same prior year period.

Other Expense, Net

Total other expense, net decreased by $2.4 million to $7.3 million in the first six months of 2016 from $9.7 million in the first six months of 2015. The decrease was primarily attributable to a $1.1 million decrease in interest expense and $0.4 million in foreign currency transaction gains for the first half of 2016 compared to $0.8 million in foreign currency transaction losses for the same prior year period. The decrease in interest expense was due to lower levels of borrowings under our credit facility during the first half of 2016 compared to the first half of 2015.

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Income Tax Expense

For the six months ended June 30, 2016, our effective tax rate was 34.7% as we recognized income tax expense of $12.2 million on income of $35.2 million. For the six months ended June 30, 2015, our effective tax rate was 44.0% as we recognized income tax expense of $11.9 million on income of $27.0 million. The effective tax rate for the six months ended June 30, 2016 was lower than the statutory rate, inclusive of state income taxes, primarily due to a discrete favorable adjustment to our state tax rate and a discrete tax benefit related to share-based compensation, as well as certain credits and deductions and the release of valuation allowances previously established on certain foreign tax credits, partially offset by non-deductible business expenses. The effective tax rate for the six months ended June 30, 2015 was higher than the statutory rate, inclusive of state income taxes, primarily due to foreign losses with no tax benefit and certain non-deductible expenses.

Net Income from Continuing Operations

Net income from continuing operations increased by $7.9 million, or 52.2%, to $23.0 million for the six months ended June 30, 2016, from $15.1 million for the same prior year period. As a result of the increase in net income, coupled with the reduction in diluted shares outstanding due to the share repurchases in the fourth quarter of 2015 and first quarter of 2016, diluted earnings per share from continuing operations for the first six months of 2016 was $1.07 compared to $0.67 for the first six months of 2015.

Discontinued Operations

Net loss from discontinued operations for the six months ended June 30, 2016 was $1.8 million and primarily related to employee benefit obligations, legal fees, and updated lease assumptions for vacated office space directly related to the sale of the Huron Legal segment. Net income from discontinued operations for the six months ended June 30, 2015 was $5.2 million. See Note 4 "Discontinued Operations" within the notes to our consolidated financial statements for additional information about our discontinued operations.

EBITDA and Adjusted EBITDA

EBITDA increased $8.9 million to $64.8 million for the six months ended June 30, 2016, from $55.8 million for the six months ended June 30, 2015. Adjusted EBITDA increased $10.2 million to $67.9 million in the first six months of 2016 from $57.6 million in the first six months of 2015. 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 from Continuing Operations

Adjusted net income from continuing operations increased $10.5 million to $36.6 million in the first six months of 2016 compared to $26.1 million in the first six months of 2015. As a result of the increase in adjusted net income from continuing operations, coupled with the reduction in diluted shares outstanding due to the share repurchases in the fourth quarter of 2015 and first quarter of 2016, adjusted diluted earnings per share from continuing operations for the first six months of 2016 was $1.71 compared to $1.15 for the first six months of 2015.

Segment Results

Huron Healthcare

Revenues

Huron Healthcare segment revenues increased $3.6 million, or 1.7%, to $220.1 million for the first six months of 2016 from $216.5 million for the first six months of 2015. Revenues for the first six months of 2016 included $0.7 million from our acquisition of MyRounding which we completed in the first quarter of 2016, and $10.7 million of incremental revenues due to the full period impact of our acquisition of Studer Group, which we completed mid-first quarter 2015.

During the six months ended June 30, 2016, revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 72.0%, 9.4%, 13.1%, and 5.5% of this segment’s revenues, respectively, compared to 73.1%, 7.6%, 13.8%, and 5.5% of this segment’s revenues, respectively, for the same prior year period.

Of the overall $3.6 million increase in revenues, $11.7 million was attributable to an increase in revenue from our full-time equivalents, partially offset by an $8.1 million decrease in revenue attributable to our full-time billable consultants.

The increase in revenue attributable to our full-time equivalents reflected an increase in the average number of full-time equivalents, primarily the result of our Studer Group acquisition, partially offset by a slight decrease in revenue per full-time equivalent in the first six months of 2016 compared to the same prior year period.

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The decrease in revenue attributable to our full-time billable consultants reflected decreases in the average number of full-time billable consultants and the average billing rate, partially offset by an increase in consultant utilization rate. This decrease in revenue was largely driven by a decrease in revenue in our revenue cycle and cost and clinical solutions compared to the prior year. Performance-based fee revenue was $28.7 million during the first six months of 2016 compared to $29.8 million during the first six months of 2015. 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 $5.9 million, or 7.9%, to $80.4 million for the six months ended June 30, 2016, from $74.5 million for the six months ended June 30, 2015. The Huron Healthcare segment operating margin increased to 36.5% for the first six months of 2016 from 34.4% in the same period last year. The increase in this segment's operating margin was primarily attributable to decreases in performance bonus expense, share-based compensation expense, and salaries and related expenses for our revenue-generating professionals, partially offset by an increase in salaries and related expenses for our support personnel as a percentage of revenue and a $1.2 million restructuring charge recorded in the second quarter of 2016.

Huron Education and Life Sciences

Revenues

Huron Education and Life Sciences segment revenues increased $5.5 million, or 6.7%, to $88.4 million for the first six months of 2016 from $82.8 million for the first six months of 2015. For the six months ended June 30, 2016, revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 21.9%, 72.7%, 0.4%, and 5.0% of this segment's revenues, respectively, compared to 33.7%, 61.2%, 0.6%, and 4.5% of this segment's revenues, respectively, during the same prior year period.

Of the overall $5.5 million increase in revenues, $6.7 million was attributable to our full-time billable consultants, partially offset by a $1.2 million decrease in revenue generated by our full-time equivalents. The increase in revenue from our full-time billable consultants reflected an increase in the average number of full-time billable consultants, partially offset by decreases in consultant utilization rate and average billing rate. The decrease in revenue from our full-time equivalents was largely driven by a decrease in license revenues, and reflected a decrease in revenue per full-time equivalent, partially offset by an increase in the average number of full-time equivalents.

Operating Income

Huron Education and Life Sciences segment operating income decreased by $1.7 million, or 6.7%, to $23.3 million for the six months ended June 30, 2016, from $25.0 million for the six months ended June 30, 2015. The Huron Education and Life Sciences segment operating margin decreased to 26.4% for the first six months of 2016 from 30.1% in the same period last year. The decrease in this segment's operating margin was primarily attributable to an increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues, which was largely the result of our ongoing cloud-based ERP investment, partially offset by a decrease in contractor expense.

Huron Business Advisory

Revenues

Huron Business Advisory segment revenues increased $18.4 million, or 48.4%, to $56.3 million for the first six months of 2016 from $37.9 million for the first six months of 2015. Revenues for the first half of 2016 included $10.8 million from our acquisitions of Rittman Mead India, Cloud62, Inc., and ADI Strategies, all of which were completed subsequent to the second quarter of 2015.

Revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 11.6%, 77.8%, 9.7%, and 0.9% of this segment's revenues, respectively, during the first six months of 2016, compared to 14.9%, 75.6%, 9.0%, and 0.5% of this segment's revenues, respectively, during the same prior year period. Performance-based fee revenue was $5.5 million for the first six months of 2016, of which $4.6 million was generated by Huron Transaction Advisory LLC, our registered broker-dealer. Performance-based fee revenue was $3.4 million for the first six months of 2015, of which $1.8 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.

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Of the overall $18.4 million increase in revenues, $17.0 million was attributable to our full-time billable consultants and $1.4 million was attributable to our full-time equivalents. 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. The increase in revenue from our full-time equivalents reflected increases in both the average number of full-time equivalents and revenue per full-time equivalent.

Operating Income

Huron Business Advisory segment operating income increased by $3.7 million, or 44.4%, to $12.0 million for the six months ended June 30, 2016, from $8.3 million for the six months ended June 30, 2015. The Huron Business Advisory segment operating margin decreased to 21.3% for the first six months of 2016 from 21.8% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases in contractor expense and intangible asset amortization expense, both as percentages of revenues, partially offset by revenue growth that outpaced the increases in performance bonus expense and share-based compensation expense for our revenue-generating professionals and a decrease in performance bonus expense for our support personnel.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased $51.7 million, from $58.4 million at December 31, 2015, to $6.7 million at June 30, 2016. As of June 30, 2016, our primary sources of liquidity are cash on hand, cash flows from our U.S. operations, and borrowing capacity available under our credit facility.

	Six Months Ended June 30,	
Cash Flows (in thousands):	2016	2015
Net cash provided by operating activities	$40,547	$18,331
Net cash used in investing activities	(56,682)	(350,522)
Net cash provided by (used in) financing activities	(35,727)	92,141
Effect of exchange rate changes on cash	125	6
Net decrease in cash and cash equivalents	$(51,737)	$(240,044)

Operating Activities

Net cash provided by operating activities totaled $40.5 million for the six months ended June 30, 2016 and $18.3 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 related benefits to employees affect these account balances.

The increase in cash provided by operations was primarily attributable to a decrease in the amount paid for annual performance bonuses during the first quarter of 2016 compared to the first quarter of 2015 and the collection of a settlement receivable in the first quarter of 2016, partially offset by a decrease in cash collections from clients in the first half of 2016 compared to the same prior year period.

Investing Activities

Net cash used in investing activities was $56.7 million for the six months ended June 30, 2016 and $350.5 million for the same period last year.

The use of cash in the first six months of 2016 primarily consisted of $49.1 million for the purchase of businesses and $5.4 million for purchases of property and equipment.

The use of cash in the first six months of 2015 primarily consisted of $332.0 million for purchases of businesses, $9.9 million for purchases of property and equipment, and a $3.1 million investment in Shorelight in the form of zero coupon convertible debt instruments.

We estimate that we will use approximately $20.0 million of cash for purchases of property and equipment for full year 2016, primarily consisting of information technology-related equipment and leasehold improvements to support our corporate infrastructure.

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Financing Activities

Net cash used in financing activities was $35.7 million for the six months ended June 30, 2016. During the first six months of 2016, we had net borrowings of $23.0 million under our credit facility, primarily to fund the ADI Strategies acquisition and our annual performance bonus payment, and we repurchased and retired $55.3 million of our common stock under our October 2014 Share Repurchase Program, as defined below.

Net cash provided by financing activities was $92.1 million for the six months ended June 30, 2015. During the first six months of 2015, we had net borrowings of $107.5 million under our credit facility, primarily to fund the Studer Group acquisition and our annual performance bonus payment, and repurchased and retired $13.5 million of our common stock under our October 2014 Share Repurchase Program.

In October 2014, our board of directors authorized a share repurchase program pursuant to which we could, 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; and in December 2015, our board of directors increased the authorized amount to $125 million. 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. During the six months ended June 30, 2016, we repurchased and retired 982,192 shares at an average cost of $56.27 per share. As of June 30, 2016, $35.1 million remains available for share repurchases under the October 2014 Share Repurchase Program.

Financing Arrangements

At June 30, 2016, we had $250.0 million principal amount of our 1.25% convertible senior notes outstanding and $115.0 million outstanding under our senior secured credit facility, as discussed below.

1.25% Convertible Senior Notes

In September 2014, we issued $250.0 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 8 “Financing Arrangements” within the notes to our consolidated financial statements.

Senior Secured Credit Facility

The Company has a $500 million senior secured revolving credit facility, subject to the terms of a Second Amended and Restated Credit Agreement dated as of March 31, 2015 (the "Amended Credit Agreement"), that becomes due and payable in full upon maturity on March 31, 2020. The Amended Credit Agreement provides 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 a prior credit agreement, and future borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, acquisitions of businesses, 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 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 (defined as the ratio of debt to consolidated EBITDA) 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 (defined as the ratio of consolidated EBITDA to interest) of 3.50 to 1.00. Consolidated EBITDA for purposes of the financial covenants is calculated on a continuing operations basis and includes adjustments to add back share-based compensation costs, certain non-cash restructuring charges, and pro forma historical EBITDA for businesses acquired. At June 30, 2016, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 2.12 to 1.00 and a Consolidated Interest Coverage Ratio of 19.69 to 1.00.

The Amended Credit Agreement contains restricted payment provisions, including a potential limit on the amount of dividends we may pay. Pursuant to the terms of the Amended Credit Agreement, if our Consolidated Leverage Ratio is greater than 3.00, the amount of dividends and other Restricted Payments (as defined in the Amended Credit Agreement) we may pay is limited to an amount up to $50 million plus 50% of cumulative consolidated net income from the closing date of the Amended Credit Agreement plus 50% of the net cash proceeds from equity issuances after the closing date of the Amended Credit Agreement.

Borrowings outstanding under the Amended Credit Agreement at June 30, 2016 totaled $115.0 million. These borrowings carried a weighted average interest rate of 2.3%, including the effect of the interest rate swap described in Note 10 “Derivative Instruments and Hedging Activity” within the notes to the consolidated financial statements. Borrowings outstanding under the Amended Credit Agreement at December 31, 2015 were $92.0 million and carried a weighted average interest rate of 2.4%. 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 June 30, 2016, we had outstanding letters of credit totaling $4.8 million, which are primarily used as security deposits for our office facilities. As of June 30, 2016, the unused borrowing capacity under the revolving credit facility was $380.2 million.

For further information see Note 8 “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, 2015. There have been no material changes to our contractual obligations since December 31, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

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

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, 2015. There have been no material changes to our critical accounting policies during the first six months of 2016.

NEW ACCOUNTING PRONOUNCEMENTS

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

SUBSEQUENT EVENT

On July 25, 2016, we entered into an agreement to acquire Healthcare Services Management, Inc. ("HSM Consulting"), a firm specializing in healthcare information technology and management consulting. The results of operations of HSM Consulting will be included within the Huron Healthcare segment from the close date, which we anticipate will be in the third quarter of 2016.

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 our 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 $219.7 million as of June 30, 2016, which represents the liability component of the $250.0 million principal balance. The estimated fair value of our Convertible Notes at June 30, 2016 was $252.7 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 June 30, 2016, which was $101.095 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 June 30, 2016, we had borrowings outstanding under the credit facility totaling $115.0 million that carried a weighted average interest rate of 2.3% including the effect of the interest rate swap outstanding described below. A hypothetical 100 basis point change in this interest rate would have a $0.4 million effect on our pretax income including the effect of the interest rate swap described below. At December 31, 2015, our borrowings outstanding under the credit facility totaled $92.0 million and carried a weighted average interest rate of 2.4%, including the effect of the interest rate swaps described below; and were fully hedged against changes in interest rates by our interest rate swaps, which had a notional amount of $92.0 million at December 31, 2015.

On December 8, 2011, we entered into a forward amortizing interest rate swap agreement effective February 29, 2012, which ended 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 amortized throughout the term. Under the terms of the

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interest rate swap agreement, we received from the counterparty interest on the notional amount based on one-month LIBOR and we paid to the counterparty a fixed rate of 0.9875%.

On May 30, 2012, we entered into an amortizing interest rate swap agreement effective May 31, 2012, which ended 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 amortized throughout the term. Under the terms of the interest rate swap agreement, we received from the counterparty interest on the notional amount based on one-month LIBOR and we paid to the counterparty a fixed rate of 0.70%.

On April 4, 2013, we entered into a forward amortizing interest rate swap agreement effective March 31, 2014 and ending August 31, 2017. 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 $60.0 million and amortizes quarterly until April 2016. Upon expiration of the two interest rate swaps in April 2016 described above, the notional amount of this interest rate swap increased to $86.0 million and continues to amortize quarterly throughout the remaining 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 0.985%.

Including the impact of the above swap agreement, the weighted average interest rate on $80.0 million of our variable-rate debt, which equals the notional amount of the swap agreement in effect at June 30, 2016, was 2.5%.

We do not use derivative instruments for trading or other speculative purposes. 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.

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 June 30, 2016, the fair value of the investment was $36.3 million, with a total cost basis of $27.9 million.

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 June 30, 2016. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2016, 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 June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this Item is incorporated by reference from Note 14 "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, 2015 for a complete description of the material risks we face.

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

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 June 30, 2016, we reacquired 1,142 shares of common stock with a weighted average fair market value of $59.09 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”). During the fourth quarter of 2015, our board of directors authorized an extension of the October 2014 Share Repurchase Program through October 31, 2016, and authorized an increase to the October 2014 Share Repurchase Program to $125 million. 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 June 30, 2016.

Period	Total Number of Shares Purchased(1)	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(2)
April 1, 2016 - April 30, 2016	—	$ —	—	$ 35,143,546
May 1, 2016 - May 31, 2016	226	$ 55.60	—	$ 35,143,546
June 1, 2016 - June 30, 2016	916	$ 59.95	—	$ 35,143,546
Total	1,142	$ 59.09	—	

(1) The number of shares repurchased for each period represents shares to satisfy employee tax withholding 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.

				Incorporated by Reference			
Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Form	Period Ending	Exhibit	Filing Date
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: July 26, 2016	/s/ C. Mark Hussey C. Mark Hussey Executive Vice President, Chief Operating Officer and Chief Financial Officer

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