

Huron Consulting Group Inc.  
Form 10-K  
February 24, 2015  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

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

EXCHANGE ACT OF 1934

Commission file number: 000-50976

HURON CONSULTING GROUP INC.

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

01-0666114  
(I.R.S. Employer  
Identification Number)

550 West Van Buren Street

Chicago, Illinois 60607

(Address of principal executive offices and zip code)

(312) 583-8700

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	NASDAQ Global Select Market
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$1,632,800,000.

As of February 16, 2015, 22,899,317 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

### Documents Incorporated By Reference

Portions of the registrant's definitive Proxy Statement to be filed with Securities and Exchange Commission within 120 days after the end of its fiscal year are incorporated by reference into Part III.

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FOR FISCAL YEAR ENDED DECEMBER 31, 2014

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**FORWARD-LOOKING STATEMENTS**

In this Annual Report on Form 10-K, 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 Annual Report on Form 10-K 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, plans or continues. 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, 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.

PART I

**ITEM 1. BUSINESS.  
OVERVIEW**

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

Huron was formed in March 2002 and commenced operations in May 2002. We were founded by a core group of experienced financial and operational consultants. In October 2004, we completed our initial public offering and became a publicly traded company. We have grown significantly since we commenced operations, increasing the number of our full-time employees from 249 as of May 31, 2002 to 2,870 as of December 31, 2014, through hiring and acquisitions of complementary businesses. Our acquisitions have included Vonlay, LLC in May 2014; The Frankel Group Associates LLC in January 2014; Blue Stone International in October 2013; Stockamp & Associates, Inc. in July 2008; Wellspring Partners, LLC in January 2007; and Glass & Associates, Inc. in January 2007.

We have hired experienced professionals from a variety of organizations, including the four largest public accounting firms, referred to as the Big Four, other consulting firms, and experienced professionals who are subject matter experts

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across the healthcare, education, legal, and financial industries. As of December 31, 2014, we had 133 client-serving managing directors. These individuals have an average of 26 years of business experience. We have a roster of project consultants and contractors who supplement our full-time client-serving employees on an as-needed basis.

Our headquarters are located in Chicago, Illinois, and we have other domestic and international offices, including those located in the following major metropolitan areas: Atlanta, Georgia; Boston, Massachusetts; Dallas, Texas; Houston, Texas; London, United Kingdom; Madison, Wisconsin; New York, New York; Portland, Oregon; Toronto, Canada; and Washington, D.C. We also have ten discovery centers located in Charlotte, North Carolina; Chicago, Illinois; Gurgaon, India; Houston, Texas; London, United Kingdom; Miramar, Florida; Morrisville, North Carolina; New York, New York; San Francisco, California; and Washington, D.C., totaling approximately 1,600 workstations.

## **OUR SERVICES**

We provide our services through five operating segments: Huron Healthcare, Huron Legal, Huron Education and Life Sciences, Huron Business Advisory and All Other. For the year ended December 31, 2014, we derived 51%, 23%, 18%, and 8% of our revenues from Huron Healthcare, Huron Legal, Huron Education and Life Sciences, and Huron Business Advisory, respectively.

For further financial information on our segment results, see Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 16 Segment Information within the notes to our consolidated financial statements.

### **Huron Healthcare**

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

This segment's primary service lines include:

**Clinical solutions.** Our Clinical solutions focus on optimizing clinical performance, minimizing unnecessary variation, improving quality and outcomes, and achieving successful physician alignment. We help clients improve clinical operations and resource management processes across inpatient, perioperative, emergency, and outpatient settings. Our Physician solutions, a specialized area of Clinical solutions, help clients make the most of their physician group in order to excel in an uncertain healthcare environment. By fully aligning goals and incentives, we help clients drive efficiency and quality across the clinical enterprise in order to obtain improved quality outcomes, reduced costs, and improved patient satisfaction.

**Revenue solutions.** Our Revenue solutions are designed to optimize performance and deliver sustainable revenue cycle improvement and a predictable revenue gain, while increasing patient, physician, and staff satisfaction. We work with our clients to improve clinical documentation so that it fully and accurately reflects the severity of illness, complexity of care, and resources consumed. Improved physician documentation results in greater coding specificity, improved case mix index, and appropriate reimbursement for utilized resources.

**Expense solutions.** Our Expense solutions provide a systematic and comprehensive approach to help clients reduce workforce expense by addressing such areas as productivity, benefits, and compensation practices, and lead management through a process designed to assess current workforce performance, identify improvement opportunities, and implement solutions. Huron's approach to non-labor cost reductions goes beyond the standard

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supply chain focus to encompass clinical utilization and standardization as well as all purchased services expenses. We work through a results-oriented process to identify, assess, and implement improvements in an organization's management of its human capital.

**Advisory solutions.** Our Advisory solutions provide strategic input to help governing boards and executive leadership establish the empirical basis for evaluating multiple options and setting priorities needed to establish clinical, financial, and mission sustainability. We help clients establish operational and data-enabled revenue transition, clinical transformation, scale and integration improvements, and operational excellence.

**Technology solutions.** Our Technology solutions help our clients optimize investments in clinical, financial and support systems, and integrate information with work flow to enable high performance organizations. We have expertise in implementing and optimizing Epic software, IT Strategy, and PeopleSoft technology, enabling our clients to remain at the forefront of IT innovation and efficiencies.

### **Huron Legal**

Our Huron Legal segment provides advisory and business services to assist law departments of major global corporations and their associated law firms with cost and risk reduction, organizational design and development, and operational efficiency. These services add value to organizations by helping them enhance client service and reduce the amount spent on legal services. Our expertise focuses on strategic and management consulting, cost management, and information governance, including matter management, records management, contract management, document review, and discovery services. Included in this segment's offerings is our Integrated Analytics solution, which is designed to deliver an innovative, comprehensive process resulting in more affordable and predictable discovery costs.

This segment's primary service lines include:

**Discovery Services.** We work with corporations and law firms to provide solutions to enhance their discovery process management. We provide a full array of digital evidence and discovery services that include discovery process execution, electronic discovery services, computer forensics, data management, document processing, advanced analytics, and document review, in order to help the client reduce costs, coordinate matters and people, streamline processes, and reduce risks. With our Integrated Analytics offering, we provide a comprehensive e-discovery process with a high degree of accuracy, increased transparency, and a capped-cost pricing model. Our facilities, including a data analytics center and ten discovery centers, blend technology and an integrated process. We also help clients choose and implement technology solutions that improve law department operations, including litigation preparedness and litigation holds.

**Law Department Management.** Our legal advisory practice helps in-house law departments enhance the quality of legal services while reducing costs by more efficiently aligning strategy, people, processes, and technology. We provide strategic advice to help law departments improve their organizational design and business processes, and maximize their relationships with law firms and other vendors. We also help clients select, customize, and implement matter management systems and electronic billing systems that help law departments track and manage lawsuits and other legal matters.

**Information Governance/Compliance.** We work with corporations to provide a comprehensive approach to the design, development, and implementation of all aspects of enterprise-wide records and information management programs. Our approach takes into consideration information governance, enabling technologies and business process improvements. In addition, our contract management offering works to systematically and efficiently manage contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk. Our contract creation application, K-CREATE, gives organizations the power to create contracts faster, smarter and at far less expense.

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### **Huron Education and Life Sciences**

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

This segment's primary service lines include:

**Higher Education.** Our higher education professionals have extensive experience working with colleges and universities on strategic, financial, operational, and technology challenges. We assist institutions of higher education develop and implement performance improvement solutions to help them continue to thrive in this fast-changing industry. We offer a comprehensive range of services to the business functions supporting colleges and universities, academic medical centers, research institutions, and international organizations. Our primary service areas include: budgeting, enrollment management, facilities, finance, human resources, information technology, procurement, research administration, and student services.

**Life Sciences.** Our Life Sciences practice provides strategic, financial, and operational compliance solutions to global, mid-sized and newly formed pharmaceutical and medical device companies. Our solutions help pharmaceutical and medical device companies optimize value in a highly regulated, international environment with services such as scenario planning, organizational capability alignment, operational compliance and litigation support, and business model evolution. In the area of research and development, the practice provides portfolio prioritization, process transformation, and lifecycle management to help clients optimize the flow and success of the product pipeline. For regulatory business areas, our services include product planning and launch, channel strategies, pricing, commercial contracting, and fair market value analysis.

**Technology.** Our technology professionals provide services in enterprise systems planning, design and implementation, enterprise performance management, business intelligence, IT strategy, and governance and research software products and implementation services. Huron is a Platinum level member of the Oracle PartnerNetwork (OPN) and a Workday Services Partner.

### **Huron Business Advisory**

Our Huron Business Advisory segment provides services to the C-suite of middle market and large organizations, lending institutions, law firms, investment banks, and private equity firms. We assist clients in a broad range of industries and across the spectrum from healthy, well-capitalized companies to organizations in transition, creditors, owners, and other key constituents. Effective March 31, 2014, Enterprise Performance Management and Analytics became a reporting segment within Huron Business Advisory.

This segment's primary service lines include:

**Business Advisory.** Our Business Advisory practice resolves complex business issues and enhances value through a suite of services including forensic investigations, transaction advisory, restructuring and turnaround, interim management, capital raising, operational improvement, and valuation. We assess the short-term and long-term prospects of potential acquisition targets and divestiture opportunities, improve operations or capital structures for businesses performing at less than optimal levels, and provide independent valuation and consulting services to assist clients in making informed decisions for transaction, tax, or litigation purposes. In April 2014, Huron announced the formation of Huron Transaction Advisory LLC, a broker-dealer, to provide broker-dealer, corporate finance and investment banking services to new and existing clients. Our senior-level team members have vast experience in a range of industries, with many serving as C-level executives who apply flexible staffing models to drive improvement



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at middle-market companies and larger businesses. Our professionals consist of certified public accountants, certified insolvency and restructuring advisors, certified turnaround professionals, MBAs, JDs, and chartered financial analysts as well as former chief restructuring officers, chief executive officers, chief financial officers, and professionals with significant board governance experience.

**Enterprise Performance Management & Analytics.** 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 helps global clients across industries drive results and gain competitive advantage. Our comprehensive offerings include organizational improvements and software consulting leveraging both cloud and on-premise configurations. Huron is a Platinum level member of the Oracle PartnerNetwork (OPN) and a Silver level partner of the Salesforce.com partner network.

### **All Other**

Our All Other segment consists of any line of business not managed by our other four operating segments. These businesses include our public sector consulting practice and our foreign healthcare and strategic consulting operations based in the Middle East.

## **OUR CLIENTS AND INDUSTRIES**

We provide consulting services to a wide variety of both financially sound and distressed organizations, including healthcare organizations, leading academic institutions, Fortune 500 companies, governmental entities, and law firms. We have worked with more than 450 health systems, hospitals, and academic medical centers; more than 400 corporate general counsel; and more than 400 universities and research institutions. In 2014, we served over 1,000 clients, including over 250 new clients. Our top ten clients represented approximately 27.3%, 35.2%, and 34.0% of our revenues in the years ended December 31, 2014, 2013, and 2012, respectively, with no single client accounting for more than 10% of our revenues during those years.

Our clients are in a broad array of industries, including healthcare, education, professional services, pharmaceutical, technology, transportation services, telecommunications, financial services, electronics, consumer products, governmental, retail, mining, oil and gas, energy and utilities, and industrial manufacturing. We believe organizations will continue to face complex challenges in the current economic environment. Many organizations are finding themselves in financial distress and are responding to these challenges by restructuring and reorganizing their businesses and capital structures, while financially healthy organizations are striving to maintain their market positions and capitalize on opportunities by improving operations, reducing costs, and enhancing revenues. In addition, organizations have limited dedicated resources to respond effectively to the challenges and opportunities that exist today. Consequently, we believe these organizations will increasingly seek to augment their internal resources with experienced independent consultants with a deep technical skill set similar to the professionals at Huron. Our expertise in assessing, evaluating, and refining business performance management processes and then enhancing processes with technology differentiates us in the market.

## **EMPLOYEES**

Our success depends on our ability to attract, retain, and develop highly talented professionals by creating a work environment where both employees and teams thrive and individuals are rewarded not only for their own contributions but also for the success of our organization as a whole. To accomplish these goals and recognize high performance, we have developed comprehensive employee programs incorporating training and development opportunities, competitive compensation, performance management, benefits and wellness, as well as corporate social responsibility, facilitated through our Huron Helping Hands program and the diversity & inclusion council.

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Our employee population is divided into two groups; client-serving and service and support. As of December 31, 2014, we had 2,870 full-time employees. Of those, 133 are client-serving managing directors. Our client-serving employees serve our clients as critical business advisors in support of transforming their business. Our managing directors are the key drivers of our business. They work externally to serve clients as advisors and engagement team leaders, originate revenue by developing new and existing client relationships, and enhance our reputation. Internally they create our intellectual capital and develop our people. Our senior directors, directors, and managers manage day-to-day client relationships and oversee the delivery and quality of our work product. Our associates and analysts gather and organize data, conduct detailed analyses, and prepare presentations that synthesize and distill information to support recommendations we deliver to clients. Our service and support employees include our senior management team as well as professionals that provide sales support, methodology creation, software development, and the corporate functions consisting of our facilities, finance, human resources, information technology, legal, and marketing teams. These employees provide strategic direction and support that enables the success of our client-serving employees. This population contains 25 managing directors, executives, and corporate vice presidents.

In addition to our full-time employees, we engage project consultants and contractors who supplement our full-time client-serving employees on an as-needed basis by providing highly unique skill sets that are not required to be staffed on a full-time basis. These individuals, many of whom have legal or financial credentials along with prior corporate experience, work variable schedules and are readily available to meet our clients needs. Utilizing these project consultants and contractors allows us to maintain a pool of talent with a variable cost structure that enables us to adapt quickly to market demands.

Supporting our employees' career progression is critical to our retention success. We provide this support through established training and development programs. We provide structured orientation and training programs for new campus hires and experienced employees to enable a more effective assimilation into the Company. Milestone programs are year-long development programs offered to recently promoted employees to support their transition to a new role with greater responsibility. In addition to these milestone programs, we offer a variety of leadership development programs for those we deem capable of taking on broader roles in the organization at the senior director and managing director level. We also provide a variety of continuing education opportunities to all our employees, including formal classroom environments, on-line courses, and webinars to further develop employees' technical knowledge and ability to work cooperatively and coach others. We encourage our employees to enhance their professional skills through outside courses that certify their technical skills and to pursue certain advanced degrees. Employees are assigned internal performance coaches to help them establish expectations that are reviewed quarterly, including identifying opportunities for professional development, formal training, and technical skill certifications.

Our compensation philosophy focuses on rewarding and retaining our high performing employees. To accomplish this, we offer employees a competitive base salary, performance incentives, and competitive benefits.

Our incentive compensation plan is designed to recognize and reward performance of both the organization and individuals and to ensure we properly recognize and retain our top performers. We take both practice and Company financial performance into consideration in the determination of bonus pool funding. At the practice level, the annual bonus pool is funded based on achievement of its annual financial goals. The board of directors then reviews and approves the total incentive compensation pool for all practices in the context of the Company's overall financial performance. Individual bonus awards are based on the practice's financial performance, individual bonus targets, and the individual's performance as evaluated through our performance management process. The intent of the incentive compensation plan is to differentiate rewards based on individual performance, ensuring that our top performers for the year receive incentives that are commensurate with their contributions, enabling us to retain them and continue to provide our clients with exceptional service. The incentive compensation plan for our named executive officers is funded based on a blend of achievement of financial goals and strategic initiatives.

Managing directors' individual compensation levels, including base and target incentive awards, are set to align with the value of their expected contributions to the organization. As the key drivers of the organization's success, their compensation is designed to include equity awards as a core component. The use of equity is intended to encourage

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retention, align the interests of our managing directors with shareholders, and help managing directors build wealth over their career at Huron through annual grants as well as stock price appreciation.

Our benefit and wellness programs are designed to be both comprehensive and tailored to our employee population. One specific benefit we have created is a travel reward to recognize the significant travel commitment of our workforce. Our wellness benefits are aimed at supporting our employees in maintaining a healthy lifestyle which is beneficial to the employee and the Company, given the demanding nature of the work. Through these unique benefits, as well as our health and welfare plans, retirement benefits, stock purchase plan, and other standard benefit programs, we provide a core sense of security to our employees.

Our corporate social responsibility efforts are designed to support an individual's charitable interests while also providing a venue for our employees to come together to make an impact in the communities in which we live and work. In addition, the diversity & inclusion council supports the needs of our growing employee population through employee resource groups and corporate-wide educational efforts to ensure we are fostering a welcoming and nurturing environment for all employees.

## **BUSINESS DEVELOPMENT AND MARKETING**

Our business development activities are aimed at cultivating relationships and building a strong brand reputation with key sources of business and referrals, especially hospital and university administrators, top-tier law firms, and the offices of the chief executive officer, chief financial officer, and general counsel of organizations. We believe that excellent service delivery to clients is critical to building and maintaining relationships and our brand reputation, and we emphasize the importance of client service to all of our employees.

We generate most of our new business opportunities through relationships that our managing directors have with individuals working in hospitals and health systems, academic institutions, corporations, and top-tier law firms. We also view cross-selling as a key component in building our business. Often, the client relationship of a managing director in one area leads to opportunities in another area. All of our managing directors understand their role in ongoing relationship and business development, which is reinforced through our compensation and incentive programs. We actively seek to identify new business opportunities, and frequently receive referrals and repeat business from past and current clients and from the law firms with which we have worked. In addition, to complement the business development efforts of our managing directors, we have experienced business developers who are focused exclusively on developing client relationships and generating new business through their extensive network of contacts.

We also host, participate in, and sponsor conferences that facilitate client development opportunities, promote brand recognition, and showcase our industry expertise. For example, during 2014, we hosted events such as the fifth annual CEO Forum *Leading the Journey: Cultivating Success in Healthcare*; a webinar on *Thriving in the New Healthcare Environment – 3 Key Strategies*; *E-Discovery Briefings* produced through The Huron Legal Institute; and numerous other industry webinars and client events. Additionally, we participated in or sponsored numerous conferences for organizations such as National Council of University Research Administrators (NCURA), Oracle OpenWorld 2014, *Workday Rising 2014*, *Dreamforce 2014*, Association of Corporate Counsel (ACC), Turnaround Management Association (TMA), National Association of College and University Business Officers (NACUBO), ALM (ALM Media Properties, LLC), Center for Business Intelligence (CBI), American Health Lawyers Association (AHLA), American Hospital Association (AHA), American College of Healthcare Executives (ACHE), ARMA International, CBI's 10th Annual Pharmaceutical Compliance Congress, The Health Management Academy, The Academy Huron Institute, The Healthcare Roundtable, Association of Insolvency and Restructuring Advisors (AIRA), The Estes Park Institute, Children's Hospital Association, and the Catholic Health Assembly. These events provide a forum to build and strengthen client relationships, as well as to stay abreast of industry trends and developments.

We have a centralized marketing department with marketing professionals assigned to each of our practices. These professionals coordinate traditional marketing programs, such as participation in industry events, sponsorship of

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conferences, development and management of advertising campaigns, development of case studies, and creation and publication of articles in industry publications and newsletters to actively promote our brand and capabilities. The marketing department also manages the content delivery on Huron's website, develops collateral materials, performs research, and provides request for proposal support as well as database management to support sales efforts.

## **COMPETITION**

The consulting services industry is extremely competitive, highly fragmented, and subject to rapid change. The industry includes a large number of participants with a variety of skills and industry expertise, including other business operations and financial consulting firms, general management consulting firms, the consulting practices of major accounting firms, technical and economic advisory firms, regional and specialty consulting firms, and the internal professional resources of organizations. We compete with a large number of service providers in all of our segments. Our competitors often vary depending on the particular practice area. In addition, we also expect to continue to face competition from new entrants because the barriers to entry into consulting services are relatively low.

We believe the principal competitive factors in our market include firm and consultant reputations, the ability to attract and retain top professionals, client and law firm referrals, the ability to manage engagements effectively, and the ability to be responsive and provide high quality services. There is also competition on price, although to a lesser extent due to the critical nature of many of the issues that our service offerings address. Many of our competitors have a greater geographic footprint, including a broader international presence and name recognition, as well as a significantly greater number of personnel, financial, technical, and marketing resources than we do. We believe that our experience, reputation, industry focus, range, and balanced portfolio of service offerings enable us to compete favorably and effectively in the consulting marketplace.

## **AVAILABLE INFORMATION**

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our website, [www.huronconsultinggroup.com](http://www.huronconsultinggroup.com), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Any materials we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

## **ITEM 1A. RISK FACTORS.**

The following discussion of risk factors may be important to understanding the statements in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes in this Annual Report on Form 10-K. Discussions about the important operational risks that our business encounters can be found in Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **An inability to retain our senior management team and other managing directors would be detrimental to the success of our business.**

We rely heavily on our senior management team, our practice leaders, and other managing directors; our ability to retain them is particularly important to our future success. Given the highly specialized nature of our services, the senior management team must have a thorough understanding of our service offerings as well as the skills and experience necessary to manage an organization consisting of a diverse group of professionals. In addition, we rely on our senior

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management team and other managing directors to generate and market our business. Further, our senior management's and other managing directors' personal reputations and relationships with our clients are a critical element in obtaining and maintaining client engagements. Although we enter into non-solicitation agreements with our senior management team and other managing directors, we generally do not enter into non-competition agreements. Accordingly, members of our senior management team and our other managing directors are not contractually prohibited from leaving or joining one of our competitors, and some of our clients could choose to use the services of that competitor instead of our services. If one or more members of our senior management team or our other managing directors leave and we cannot replace them with a suitable candidate quickly, we could experience difficulty in securing and successfully completing engagements and managing our business properly, which could harm our business prospects and results of operations.

### **Our inability to hire and retain talented people in an industry where there is great competition for talent could have a serious negative effect on our prospects and results of operations.**

Our business involves the delivery of professional services and is highly labor-intensive. Our success depends largely on our general ability to attract, develop, motivate, and retain highly skilled professionals. Further, we must successfully maintain the right mix of professionals with relevant experience and skill sets as we continue to grow, as we expand into new service offerings, and as the market evolves. The loss of a significant number of our professionals, the inability to attract, hire, develop, train, and retain additional skilled personnel, or failure to maintain the right mix of professionals could have a serious negative effect on us, including our ability to manage, staff, and successfully complete our existing engagements and obtain new engagements. Qualified professionals are in great demand, and we face significant competition for both senior and junior professionals with the requisite credentials and experience. Our principal competition for talent comes from other consulting firms and accounting firms, as well as from organizations seeking to staff their internal professional positions. Many of these competitors may be able to offer significantly greater compensation and benefits or more attractive lifestyle choices, career paths, or geographic locations than we do. Therefore, we may not be successful in attracting and retaining the skilled consultants we require to conduct and expand our operations successfully. Increasing competition for these revenue-generating professionals may also significantly increase our labor costs, which could negatively affect our margins and results of operations.

### **Additional hiring, departures, business acquisitions and dispositions could disrupt our operations, increase our costs or otherwise harm our business.**

Our business strategy is dependent in part upon our ability to grow by hiring individuals or groups of individuals and by acquiring complementary businesses. However, we may be unable to identify, hire, acquire, or successfully integrate new employees and acquired businesses without substantial expense, delay, or other operational or financial obstacles. From time to time, we will evaluate the total mix of services we provide and we may conclude that businesses may not achieve the results we previously expected. Competition for future hiring and acquisition opportunities in our markets could increase the compensation we offer to potential employees or the prices we pay for businesses we wish to acquire. In addition, we may be unable to achieve the financial, operational, and other benefits we anticipate from any hiring or acquisition, as well as any disposition, including those we have completed so far. New acquisitions could also negatively impact existing practices and cause current employees to depart. Hiring additional employees or acquiring businesses could also involve a number of additional risks, including:

the diversion of management's time, attention, and resources from managing and marketing our Company;

the failure to retain key acquired personnel or existing personnel who may view the acquisition unfavorably;

the potential loss of clients of acquired businesses;

the need to compensate new employees while they wait for their restrictive covenants with other institutions to expire;

the potential need to raise significant amounts of capital to finance a transaction or the potential issuance of equity securities that could be dilutive to our existing stockholders;



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increased costs to improve, coordinate, or integrate managerial, operational, financial, and administrative systems;

the potential assumption of liabilities of an acquired business;

the inability to attain the expected synergies with an acquired business;

the usage of earn-outs based on the future performance of our business acquisitions may deter the acquired company from fully integrating into our existing business;

the perception of inequalities if different groups of employees are eligible for different benefits and incentives or are subject to different policies and programs; and

difficulties in integrating diverse backgrounds and experiences of consultants, including if we experience a transition period for newly hired consultants that results in a temporary drop in our utilization rates or margins.

All of our prior acquisitions were accounted for as purchases, some of which involved purchase prices well in excess of tangible asset values, resulting in the creation of a significant amount of goodwill and other intangible assets. Under generally accepted accounting principles, we do not amortize goodwill or intangible assets acquired in a business combination that are determined to have indefinite useful lives, but instead review them annually (or more frequently if impairment indicators arise) for impairment. To the extent that we determine that such an asset has been impaired, we will write down its carrying value on our balance sheet and book an impairment charge in our statement of operations. In 2012, we took a goodwill impairment charge of \$13.1 million relating to our Huron Business Advisory segment. If, as a result of acquisitions or otherwise, the amount of intangible assets being amortized increases, so will our amortization charges in future periods.

Also, selling practices and shutting down operations present similar challenges in a service business. Divestitures not only require management's time, but they can impair existing relationships with clients or otherwise affect client satisfaction, particularly in situations where the divestiture eliminates only part of the complement of consulting services provided to a client. If we fail to successfully address these risks, our ability to compete may be impaired and our results of operations may be adversely affected.

### **Changes in capital markets, legal or regulatory requirements, and general economic or other factors beyond our control could reduce demand for our services, in which case our revenues and profitability could decline.**

A number of factors outside of our control affect demand for our services. These include:

fluctuations in U.S. and global economies;

the U.S. or global financial markets and the availability, costs, and terms of credit;

changes in laws and regulations; and

other economic factors and general business conditions.

We are not able to predict the positive or negative effects that future events or changes to the U.S. or global economy, financial markets, regulatory and business environment could have on our operations.

**If we are unable to manage fluctuations in our business successfully, we may not be able to sustain profitability.**

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We have grown significantly since we commenced operations, increasing the number of our full-time professionals from 249 as of May 31, 2002 to 2,870 as of December 31, 2014. Additionally, our considerable growth has placed



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demands on our management and our internal systems, procedures, and controls and will continue to do so in the near future. To successfully manage growth, we must periodically adjust and strengthen our operating, financial, accounting, and other systems, procedures, and controls, which could increase our costs and may adversely affect our gross profits and our ability to sustain profitability if we do not generate increased revenues to offset the costs. As a public company, our information and control systems must enable us to prepare accurate and timely financial information and other required disclosures. If we discover deficiencies in our existing information and control systems that impede our ability to satisfy our reporting requirements, we must successfully implement improvements to those systems in an efficient and timely manner.

Although we have generated positive earnings since we became a public company, we may not sustain profitability in the future. Additionally, the nature of our services and the general economic environment make it difficult to predict our future operating results. To sustain profitability, we must:

attract, integrate, retain, and motivate highly qualified professionals;

achieve and maintain adequate utilization and suitable billing rates for our revenue-generating professionals;

expand our existing relationships with our clients and identify new clients in need of our services;

successfully resell engagements and secure new engagements every year;

maintain and enhance our brand recognition; and

adapt quickly to meet changes in our markets, our business mix, the economic environment, the credit markets, and competitive developments.

**Our business is becoming increasingly dependent on information technology and will require additional investments in order to grow and meet the demands of our clients.**

We depend on the use of sophisticated technologies and systems. Some of our practices provide services that are increasingly dependent on the use of software applications and systems that we do not own and could become unavailable. Moreover, our technology platforms will require continuing investments by us in order to expand existing service offerings and develop complementary services. A portion of our business, in which we utilize third-party software technology, has grown over the last few years and now represents a substantial portion of our total revenues. If third-party software technology that is important to our business does not continue to be available to us, or does not continue to be available to us on commercially reasonable terms, we may be unable to provide certain services to clients on a cost-efficient and timely basis, which may harm our financial condition and operating results. Our future success depends on our ability to adapt our services and infrastructure while continuing to improve the performance, features, and reliability of our services in response to the evolving demands of the marketplace.

**We could experience system failures, service interruptions, or security breaches that could negatively impact our business.**

Our organization is comprised of employees who work on matters throughout the United States and overseas. Our technology platform is a virtual office from which we all operate. We may be subject to disruption to our operating systems from technology events that are beyond our control, including the possibility of failures at third-party data centers, disruptions to the Internet, natural disasters, power losses, and malicious attacks. In addition, despite the implementation of security measures, our infrastructure and operating systems, including the Internet and related systems, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, denial-of-service attacks, or other attacks by third parties seeking to disrupt operations or misappropriate information or similar physical or electronic breaches of security. While we have taken and are taking reasonable steps to prevent and



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mitigate the damage of such events, including implementation of system security measures, information backup, and disaster recovery processes, those steps may not be effective and there can be no assurance that any such steps can be effective against all possible risks. We will need to continue to invest in technology in order to achieve redundancies necessary to prevent service interruptions. Access to our systems as a result of a security breach, the failure of our systems, or the loss of data could result in legal claims or proceedings, liability, or regulatory penalties and disrupt operations, which could adversely affect our business and financial results.

### **Our reputation could be damaged and we could incur additional liabilities if we fail to protect client and employee data through our own accord or if our information systems are breached.**

We rely on information technology systems to process, transmit, and store electronic information and to communicate among our locations around the world and with our clients, partners, and employees. The breadth and complexity of this infrastructure increases the potential risk of security breaches which could lead to potential unauthorized disclosure of confidential information.

In providing services to clients, we may manage, utilize, and store sensitive or confidential client or employee data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as the U.S. federal and state laws governing the protection of health or other personally identifiable information and international laws such as the European Union Directive on Data Protection.

These laws and regulations are increasing in complexity and number. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines, and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, employee negligence, fraud, or misappropriation, could damage our reputation and cause us to lose clients and their related revenue in the future.

### **Our international expansion could result in additional risks.**

We operate both domestically and internationally, including in the Middle East, Europe and Asia. Although historically our international operations have been limited, we intend to continue to expand internationally. Such expansion may result in additional risks that are not present domestically and which could adversely affect our business or our results of operations, including:

compliance with additional U.S. regulations and those of other nations applicable to international operations;

cultural and language differences;

employment laws and rules and related social and cultural factors;

losses related to start-up costs, lack of revenue, higher costs due to low utilization, and delays in purchase decisions by prospective clients;

currency fluctuations between the U.S. dollar and foreign currencies, which are harder to predict in the current adverse global economic climate;

restrictions on the repatriation of earnings;

potentially adverse tax consequences and limitations on our ability to utilize losses generated in our foreign operations;

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different regulatory requirements and other barriers to conducting business;

different or less stable political and economic environments;

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greater personal security risks for employees traveling to or located in unstable locations; and

civil disturbances or other catastrophic events.

Further, conducting business abroad subjects us to increased regulatory compliance and oversight. For example, in connection with our international operations, we are subject to laws prohibiting certain payments to governmental officials, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act. The provisions of the U.K. Bribery Act may apply outside of the U.K. and due to our U.K. based subsidiaries, we and our employees could be subject to liability for alleged activities involving bribery even if such activities were to take place outside of the U.K. A failure to comply with applicable regulations could result in regulatory enforcement actions as well as substantial civil and criminal penalties assessed against us and our employees.

**Our obligations under the Credit Agreement are secured by a pledge of certain of the equity interests in our subsidiaries and a lien on substantially all of our assets and those of our subsidiary grantors. If we default on these obligations, our lenders may foreclose on our assets, including our pledged equity interest in our subsidiaries.**

On April 14, 2011, we entered into a security agreement with Bank of America (the "Security Agreement") in connection with our entry into the Amended and Restated Credit Agreement, dated as of April 14, 2011 (as amended and modified, the "2011 Credit Agreement"). Pursuant to the Security Agreement and to secure our obligations under the 2011 Credit Agreement, we granted our lenders a first-priority lien, subject to permitted liens, on substantially all of the personal property assets that we and the subsidiary grantors own. This first-priority lien is in addition to the existing pledge (the "Equity Pledge") that we previously granted to our lenders of 100% of the voting stock or other equity interests in our domestic subsidiaries and 65% of the voting stock or other equity interests in our foreign subsidiaries. If we default on our obligations under the 2011 Credit Agreement, our lenders could accelerate our indebtedness and may be able to exercise their liens on the equity interests subject to the Equity Pledge and their liens on substantially all of our assets and the assets of our subsidiary grantors, which would have a material adverse effect on our business, operations, financial condition, and liquidity. In addition, the covenants contained in the 2011 Credit Agreement impose restrictions on our ability to engage in certain activities, such as the incurrence of additional indebtedness, certain investments, certain acquisitions and dispositions, and the payment of dividends.

**Our indebtedness could adversely affect our ability to raise additional capital to fund our operations and obligations, expose us to interest rate risk to the extent of our variable-rate debt, and adversely affect our financial results.**

At December 31, 2014, we had outstanding indebtedness totaling \$393.8 million, including \$250 million principal amount of our 1.25% convertible senior notes. Our ability to make scheduled payments of the principal of, to pay interest on, make payments upon conversion, or to refinance our indebtedness, depends on our future performance. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our current indebtedness and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our current indebtedness or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the current indebtedness or future indebtedness.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

expose us to the risk of increased interest rates because some of our borrowings are at variable interest rates;

make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulation;

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limit our ability to obtain additional financing and flexibility in planning for, or reacting to, changes in our business and our industry;

place us at a disadvantage compared to our competitors who have less debt or have better access to capital resources; and

require us to dedicate a larger portion of our cash from operations to service our indebtedness and thus reduce the level of cash for other purposes such as funding working capital, strategic acquisitions, capital expenditures, and other general corporate purposes.

Any of these factors could materially and adversely affect our business, financial condition, and results of operations. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase.

### **The accounting method for convertible debt securities that may be settled in cash, such as our convertible notes, could have a material effect on our reported financial results.**

Under GAAP, an entity must separately account for the debt component and the embedded conversion option of convertible debt instruments that may be settled entirely or partially in cash upon conversion, such as our convertible notes, in a manner that reflects a company's economic interest cost. The effect of the accounting treatment for such instruments is that the value of such embedded conversion option would be treated as an original issue discount for purposes of accounting for the debt component of the notes and that original issue discount is amortized into interest expense over the term of the notes using an effective yield method. As a result, over the term of our convertible notes, we will initially be required to record a greater amount of noncash interest expense. Accordingly, we will report lower net income in our financial results because of the recognition of both the current period's amortization of the debt discount and our convertible notes' coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock, and the trading price of our convertible notes.

Under certain circumstances, the shares of common stock underlying convertible debt instruments (such as our convertible notes) that may be settled entirely or partially in cash are reflected in earnings per share utilizing the treasury stock method, the effect of which is that such shares of common stock are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount at the end of the reporting period. Under the treasury stock method, for diluted earnings per share purposes, our convertible notes are accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares of common stock, are issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares of common stock issuable upon conversion of our convertible notes, then our diluted earnings per share could be adversely affected.

In addition, if the conditional conversion feature of our convertible notes is triggered, even if holders do not elect to convert their convertible notes, we could be required under applicable accounting rules to reclassify all of the outstanding principal of our convertible notes as a current, rather than long-term, liability, which would result in a material reduction of our net working capital.

### **We may not have the ability to raise the funds necessary to pay the amount of cash due upon conversion of our convertible notes, if relevant, or the fundamental change repurchase price due when a holder submits its convertible notes for repurchase upon the occurrence of a fundamental change, and our debt may contain limitations on our ability to pay cash upon conversion or required repurchase of our convertible notes.**

Upon the occurrence of a fundamental change as defined in the indenture governing our convertible notes, holders of our convertible notes may require us to repurchase, for cash, all or a portion of their convertible notes at a repurchase

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price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. In addition, upon conversion of our convertible notes, we will be required to make cash payments in respect of our convertible notes being converted, including if the conditional conversion feature of our convertible notes is triggered, unless we elect to deliver solely shares of our common stock to settle such conversion.

We may not have sufficient financial resources, or may be unable to arrange financing, to pay the fundamental change repurchase price if holders of our convertible notes submit their convertible notes for purchase by us upon the occurrence of a fundamental change or to pay the amount of cash (if any) due if holders of our convertible notes surrender their convertible notes for conversion. In addition, the occurrence of a fundamental change may cause an event of default under agreements governing our or our subsidiaries' indebtedness. Agreements governing any of our future debt may restrict our ability to make each of the required cash payments even if we have sufficient funds to make them. Furthermore, our ability to purchase our convertible notes or to pay cash (if any) due upon the conversion of our convertible notes may be limited by law or regulatory authorities. In addition, if we fail to repurchase our convertible notes or to pay the amount of cash (if any) due upon conversion of our convertible notes, we will be in default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which in turn may result in the acceleration of such other indebtedness we may then have outstanding. If the repayment of the other indebtedness were to be accelerated, we may not have sufficient funds to repay that indebtedness and to repurchase our convertible notes or to pay the amount of cash (if any) due upon conversion.

### **The fundamental change provisions associated with our convertible notes may delay or prevent an otherwise beneficial takeover attempt of us.**

The fundamental change purchase rights, which will allow holders of our convertible notes to require us to repurchase all or a portion of their convertible notes upon the occurrence of a fundamental change, and the provisions requiring an increase to the conversion rate for conversions in connection with certain other circumstances may delay or prevent a takeover of us that might otherwise be beneficial to investors.

### **The convertible note hedge transactions and the warrant transactions may affect the value of our convertible notes and our common stock.**

In connection with the pricing of our convertible notes, we entered into privately negotiated convertible note hedge transactions with affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities as hedge counterparties. The convertible note hedge transactions collectively cover, subject to customary anti-dilution adjustments, the number of shares of common stock that initially underlie our convertible notes. We also entered into separate privately negotiated warrant transactions with the hedge counterparties relating to the same number of shares of our common stock, subject to customary anti-dilution adjustments.

We expect that the hedge counterparties and/or their affiliates may modify their hedge positions with respect to the convertible note hedge transactions and the warrant transactions from time to time by purchasing and/or selling shares of our common stock and/or our convertible notes in privately negotiated transactions and/or open market transactions or by entering into and/or unwinding various over-the-counter derivative transactions with respect to our common stock. This activity could also cause or prevent an increase or decrease in the market value of our common stock. In addition, the hedge counterparties and/or their affiliates may choose to engage in, or to discontinue engaging in, any of these transactions with or without notice at any time, and their decisions will be in their sole discretion and not within our control.

The hedge counterparties are financial institutions which will be subject to the risk that one or both of the hedge counterparties might default under their respective convertible note hedge transactions. Upon a default by any hedge counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the hedge counterparties.

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**Our intellectual property rights in our Huron Consulting Group name are important, and any inability to use that name could negatively impact our ability to build brand identity.**

We believe that establishing, maintaining, and enhancing the Huron Consulting Group name is important to our business. We are, however, aware of a number of other companies that use names containing Huron. There could be potential trade name or service mark infringement claims brought against us by the users of these similar names and marks and those users may have trade name or service mark rights that are senior to ours. If another company were to successfully challenge our right to use our name, or if we were unable to prevent a competitor from using a name that is similar to our name, our ability to build brand identity could be negatively impacted.

**Our financial results could suffer if we are unable to achieve or maintain adequate utilization and suitable billing rates for our consultants.**

Our profitability depends to a large extent on the utilization and billing rates of our professionals. Utilization of our professionals is affected by a number of factors, including:

the number and size of client engagements;

the timing of the commencement, completion and termination of engagements, which in many cases is unpredictable;

our ability to transition our consultants efficiently from completed engagements to new engagements;

the hiring of additional consultants because there is generally a transition period for new consultants that results in a temporary drop in our utilization rate;

unanticipated changes in the scope of client engagements;

our ability to forecast demand for our services and thereby maintain an appropriate level of consultants; and

conditions affecting the industries in which we practice as well as general economic conditions.

The billing rates of our consultants that we are able to charge are also affected by a number of factors, including:

our clients' perception of our ability to add value through our services;

the market demand for the services we provide;

an increase in the number of clients in the government sector;

introduction of new services by us or our competitors;



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our competition and the pricing policies of our competitors; and

current economic conditions.

If we are unable to achieve and maintain adequate overall utilization as well as maintain or increase the billing rates for our consultants, our financial results could materially suffer. In addition, our consultants oftentimes perform services at the physical locations of our clients. If there are natural disasters, disruptions to travel and transportation or problems with communications systems, our ability to perform services for, and interact with, our clients at their physical locations may be negatively impacted which could have an adverse effect on our business and results of operations.

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**Our quarterly results of operations have fluctuated in the past and may continue to fluctuate in the future as a result of certain factors, some of which may be outside of our control.**

A key element of our strategy is to market our products and services directly to certain large organizations, such as health systems and acute care hospitals, and to increase the number of our products and services utilized by existing clients. The sales cycle for some of our products and services is often lengthy and may involve significant commitment of client personnel. As a consequence, the commencement date of a client engagement often cannot be accurately forecasted. As discussed below, certain of our client contracts contain terms that result in revenue that is deferred and cannot be recognized until the occurrence of certain events. As a result, the period of time between contract signing and recognition of associated revenue may be lengthy, and we are not able to predict with certainty the period in which revenue will be recognized.

Certain of our contracts provide that some portion or all of our fees are at risk if our services do not result in the achievement of certain financial performance targets. To the extent that any revenue is contingent upon the achievement of a performance target, we only recognize revenue upon client confirmation that the performance targets have been achieved. If a client fails to provide such confirmation in a timely manner, our ability to recognize revenue will be delayed.

Other fluctuations in our quarterly results of operations may be due to a number of other factors, some of which are not within our control, including:

the timing and volume of client invoices processed and payments received, which may affect the fees payable to us under certain of our engagements;

client decisions regarding renewal or termination of their contracts;

the amount and timing of costs related to the development or acquisition of technologies or businesses; and

unforeseen legal expenses, including litigation and other settlement gains or losses.

We base our annual employee bonus expense upon our expected annual adjusted earnings before interest, taxes, depreciation and amortization ( EBITDA ) for that year. If we experience lower adjusted EBITDA in a quarter without a corresponding change to our full-year adjusted EBITDA expectation, our estimated bonus expense will not be reduced, which will have a negative impact on our quarterly results of operations for that quarter. Our quarterly results of operations may vary significantly and period-to-period comparisons of our results of operations may not be meaningful. The results of one quarter should not be relied upon as an indication of future performance. If our quarterly results of operations fall below the expectations of securities analysts or investors, the price of our common stock could decline substantially.

**Revenues from our performance-based engagements are difficult to predict, and the timing and extent of recovery of our costs is uncertain.**

We have engagement agreements under which our fees include a significant performance-based component. Performance-based fees are contingent on the achievement of specific measures, such as our clients meeting cost-saving or other contractually defined goals. The achievement of these contractually-defined goals may be subject to acknowledgement by the client and is often impacted by factors outside of our control, such as the actions of the client or other third parties. Because performance-based fees are contingent, revenues on such engagements, which are recognized when all revenue recognition criteria are met, are not certain and the timing of receipt is difficult to predict and may not occur evenly throughout the year. The percentage of our revenues derived from performance-based fees for the years ended December 31, 2014, 2013, and 2012, was 13.6%, 14.6%, and 14.2%, respectively. A greater number of performance-based fee arrangements may result in increased volatility in our working capital requirements and greater variations in our quarter-to-quarter results, which could affect the price of our common stock. In addition, an increase in the proportion of performance-based fee arrangements may temporarily offset the positive effect on our operating results from an increase in our utilization rate until the related revenues are recognized.

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### **The profitability of our fixed-fee engagements with clients may not meet our expectations if we underestimate the cost of these engagements.**

When making proposals for fixed-fee engagements, we estimate the costs and timing for completing the engagements. These estimates reflect our best judgment regarding the efficiencies of our methodologies and consultants as we plan to deploy them on engagements. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-fee engagements, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable, which would have an adverse effect on our profit margin. For the years ended December 31, 2014, 2013, and 2012, fixed-fee engagements represented 39.6%, 37.2%, and 34.7% of our revenues, respectively.

### **Our business performance might not be sufficient for us to meet the full-year financial guidance that we provide publicly.**

We provide full-year financial guidance to the public based upon our expectations regarding our financial performance. While we believe that our annual financial guidance provides investors and analysts with insight to our view of the Company's future performance, such financial guidance is based on assumptions that may not always prove to be accurate and may vary from actual results. If we fail to meet the full-year financial guidance that we provide, or if we find it necessary to revise such guidance during the year, the market value of our common stock could be adversely affected.

### **Expanding our service offerings or number of offices may not be profitable.**

We may choose to develop new service offerings, open new offices, or eliminate service offerings because of market opportunities or client demands. Developing new service offerings involves inherent risks, including:

our inability to estimate demand for the new service offerings;

competition from more established market participants;

a lack of market understanding; and

unanticipated expenses to recruit and hire qualified consultants and to market our new service offerings.

In addition, expanding into new geographic areas and expanding current service offerings is challenging and may require integrating new employees into our culture as well as assessing the demand in the applicable market. If we cannot manage the risks associated with new service offerings or new locations effectively, we are unlikely to be successful in these efforts, which could harm our ability to sustain profitability and our business prospects.

### **The healthcare industry is an area of significant focus for our business, and factors that adversely affect the financial condition of the healthcare industry could consequently affect our business.**

We derive a significant portion of our revenue from clients in the healthcare industry. As a result, our financial condition and results of operations could be adversely affected by conditions affecting the healthcare industry generally and hospitals and health systems particularly. The healthcare industry is highly regulated and is subject to changing political, legislative, regulatory, and other influences. Existing and new federal and state laws and regulations affecting the healthcare industry could create unexpected liabilities for us, could cause us or our clients to incur additional costs, and could restrict our or our clients' operations. Many healthcare laws are complex and their application to us, our clients, or the specific services and relationships we have with our clients are not always clear. In addition, federal and state legislatures have periodically introduced programs to reform or amend the U.S. healthcare system at both the federal and state level, such as the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of

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2010. Due to the significant implementation issues arising under these laws, it is unclear what long-term effects they will have on the healthcare industry and in turn on our business, financial condition, and results of operations. Our failure to accurately anticipate the application of these laws and regulations, or our failure to comply with such laws and regulations, could create liability for us, result in adverse publicity and negatively affect our business.

There are many factors that could affect the purchasing practices, operations, and, ultimately, the operating funds of healthcare organizations, such as reimbursement policies for healthcare expenses, federal and state budgetary considerations, consolidation in the healthcare industry, and regulation, litigation, and general economic conditions. In particular, we could be required to make unplanned modifications of our products and services (which would require additional time and investment) or we could suffer reductions in demand for our products and services as a result of changes in regulations affecting the healthcare industry, such as changes in the way that healthcare organizations are paid for their services (e.g. based on patient outcomes instead of services provided).

In addition, state tax authorities have challenged the tax-exempt status of some hospitals and other healthcare facilities claiming such status on the basis that they are operating as charitable and/or religious organizations. If the tax-exempt status of any of our clients is revoked or compromised by new legislation or interpretation of existing legislation, that client's financial health could be adversely affected, which could adversely impact demand for our services, our sales, revenue, financial condition, and results of operations.

### **Our ability to maintain and attract new business and talented personnel depends upon our reputation, the professional reputation of our revenue-generating employees, and the quality of our services.**

As a professional services firm, our ability to secure new engagements and retain and attract talented personnel depends heavily upon our reputation and the individual reputations of our professionals. Any factor that diminishes our reputation or that of our employees, including not meeting client expectations or misconduct by our employees, could make it substantially more difficult for us to attract new engagements, clients, and employees. Similarly, because we obtain many of our new engagements from former or current clients or from referrals by those clients or by law firms that we have worked with in the past, any client that questions the quality of our work or that of our consultants could impair our ability to secure additional new engagements and clients.

### **A significant portion of our revenues is derived from a limited number of clients, and our engagement agreements, including those related to our largest clients, can be terminated by our clients with little or no notice and without penalty, which may cause our operating results to be unpredictable.**

As a consulting firm, we have derived, and expect to continue to derive, a significant portion of our revenues from a limited number of clients. Our ten largest clients accounted for approximately 27.3%, 35.2%, and 34.0% of our revenues for the years ended December 31, 2014, 2013, and 2012, respectively. No single client accounted for more than 10% of our revenues in 2014, 2013, or 2012. Our clients typically retain us on an engagement-by-engagement basis, rather than under fixed-term contracts; the volume of work performed for any particular client is likely to vary from year to year, and a major client in one fiscal period may not require or may decide not to use our services in any subsequent fiscal period. Moreover, a large portion of our new engagements comes from existing clients. Accordingly, the failure to obtain new large engagements or multiple engagements from existing or new clients could have a material adverse effect on the amount of revenues we generate.

In addition, almost all of our engagement agreements can be terminated by our clients with little or no notice and without penalty. For example, in engagements related to litigation, if the litigation were to be settled, our engagement for those services would no longer be necessary and, therefore, would be terminated. In client engagements that involve multiple engagements or stages, there is a risk that a client may choose not to retain us for additional stages of an engagement or that a client will cancel or delay additional planned engagements. For clients in bankruptcy, a bankruptcy court could elect not to retain our interim management consultants, terminate our retention, require us to reduce our fees for the duration of an engagement, or approve claims against fees earned by us prior to or after the bankruptcy filing.

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Terminations of engagements, cancellations of portions of the project plan, delays in the work schedule, or reductions in fees could result from factors unrelated to our services. When engagements are terminated or reduced, we lose the associated future revenues, and we may not be able to recover associated costs or redeploy the affected employees in a timely manner to minimize the negative impact. In addition, our clients ability to terminate engagements with little or no notice and without penalty makes it difficult to predict our operating results in any particular fiscal period.

### **Our engagements could result in professional liability, which could be very costly and hurt our reputation.**

Our engagements typically involve complex analyses and the exercise of professional judgment. As a result, we are subject to the risk of professional liability. From time to time, lawsuits with respect to our work are pending. Litigation alleging that we performed negligently or breached any other obligations could expose us to significant legal liabilities and, regardless of outcome, is often very costly, could distract our management, could damage our reputation, and could harm our financial condition and operating results. In addition, certain of our engagements, including interim management engagements and corporate restructurings, involve greater risks than other consulting engagements. We are not always able to include provisions in our engagement agreements that are designed to limit our exposure to legal claims relating to our services. While we attempt to identify and mitigate our exposure with respect to liability arising out of our consulting engagements, these efforts may be ineffective and an actual or alleged error or omission on our part or the part of our client or other third parties in one or more of our engagements could have an adverse impact on our financial condition and results of operations. In addition, we carry professional liability insurance to cover many of these types of claims, but the policy limits and the breadth of coverage may be inadequate to cover any particular claim or all claims plus the cost of legal defense. For example, we provide services on engagements in which the impact on a client may substantially exceed the limits of our errors and omissions insurance coverage. If we are found to have professional liability with respect to work performed on such an engagement, we may not have sufficient insurance to cover the entire liability.

### **The consulting services industry is highly competitive and we may not be able to compete effectively.**

The consulting services industry in which we operate includes a large number of participants and is intensely competitive. We face competition from other business operations and financial consulting firms, general management consulting firms, the consulting practices of major accounting firms, regional and specialty consulting firms, the internal professional resources of organizations, and legal services providers. In addition, because there are relatively low barriers to entry, we expect to continue to face additional competition from new entrants into the business operations and financial consulting industries. Competition in several of the sectors in which we operate is particularly intense as many of our competitors are seeking to expand their market share in these sectors. Many of our competitors have a greater national and international presence, as well as have a significantly greater number of personnel, financial, technical, and marketing resources. In addition, these competitors may generate greater revenues and have greater name recognition than we do. Some of our competitors may also have lower overhead and other costs and, therefore, may be able to more effectively compete through lower cost service offerings. Our ability to compete also depends in part on the ability of our competitors to hire, retain, and motivate skilled professionals, the price at which others offer comparable services, the ability of our competitors to offer new and valuable products and services to clients, and our competitors responsiveness to their clients. If we are unable to compete successfully with our existing competitors or with any new competitors, our financial results will be adversely affected.

### **Conflicts of interest could preclude us from accepting engagements thereby causing decreased utilization and revenues.**

We provide services in connection with bankruptcy, litigation, and other proceedings that usually involve sensitive client information and frequently are adversarial. In connection with bankruptcy proceedings, we are required by law to be disinterested and may not be able to provide multiple services to a particular client. In litigation, we would generally be prohibited from performing services in the same litigation for the party adverse to our client. In addition, our engagement agreement with a client or other business reasons may preclude us from accepting engagements from time to time with

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our clients' competitors or adversaries. As we adjust the size of our operations and the complement of consulting services, the number of conflict situations may continue to increase. Moreover, in many industries in which we provide services, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of companies that may seek our services and increase the chances that we will be unable to accept new engagements as a result of conflicts of interest. If we are unable to accept new engagements for any reason, our consultants may become underutilized, which would adversely affect our revenues and results of operations in future periods.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

### **ITEM 2. PROPERTIES.**

As of December 31, 2014, our principal executive offices in Chicago, Illinois, consisted of approximately 160,000 square feet of office space, under a lease expiring September 2024. We have one five-year renewal option that will allow us to continue to occupy this office space until September 2029. This facility accommodates our executive team and corporate departments, as well as professionals in each of our practices. Additionally, we occupy leased facilities for our other domestic and international offices, including those located in the following major metropolitan areas: Atlanta, Georgia; Boston, Massachusetts; Dallas, Texas; Houston, Texas; London, United Kingdom; Madison, Wisconsin; New York City, New York; Portland, Oregon; Toronto, Canada; and Washington, D.C. We also occupy leased facilities for our ten discovery centers located in Charlotte, North Carolina; Chicago, Illinois; Gurgaon, India; Houston, Texas; London, United Kingdom; Miramar, Florida; Morrisville, North Carolina; New York City, New York; San Francisco, California; and Washington, D.C., totaling approximately 1,600 workstations. We do not own any real property. We believe that our leased facilities are adequate to meet our current needs and that additional facilities are available for lease to meet future needs.

### **ITEM 3. LEGAL PROCEEDINGS.**

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

On August 22, 2013, we learned that Tamalluk Business Development LLC, who was Huron's agent in Abu Dhabi, and its principal, Mubarak Ahmad Bin Hamouda Al Dhaheri, filed a claim against Huron Consulting Services LLC in the Abu Dhabi Court of First Instance. The lawsuit alleges that under the agency agreement, Tamalluk was entitled to a commission on certain amounts that Huron collected from Abu Dhabi clients, and that Huron breached the agreement with Tamalluk and caused damages by declining to enter into a client engagement in Abu Dhabi and subsequently terminating the agency agreement with Tamalluk. Claimants allege they are entitled to \$50 million for damage to reputation and defamation and another \$50 million for breach of contract. Huron submitted its written response on September 25, 2013. The response states that Huron had the right to terminate the agency agreement with Tamalluk, and Huron had the sole discretion whether to accept or reject an engagement. Huron also filed a counterclaim on October 10, 2013 seeking a judicial order to permit the cancellation of Huron's commercial license to allow Huron to cease doing business in Abu Dhabi. On December 17, 2013, the Abu Dhabi court ruled in Huron's favor on all claims and held that Huron permissibly terminated the contract with Tamalluk and Huron does not owe Tamalluk any compensation related to Tamalluk's claims. In addition, the court terminated the Local Sponsorship Agreement as requested by Huron in its counterclaim. Tamalluk appealed the decision, and on March 18, 2014, the appellate court upheld the decision in Huron's favor. Tamalluk filed an appeal on May 18, 2014 to the Court of Cassation, which is the highest court in Abu Dhabi. On October 21, 2014, the Court of Cassation referred the case back to the appellate court for consideration of Claimants' allegations relating to damage to reputation and defamation, which the appellate court had not previously addressed. The Court of Cassation ruled in Huron's favor on the other claims and on Huron's counterclaim. We continue to believe that the remaining claims are without merit and intend to vigorously defend ourselves in this matter.

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### **Physiotherapy Associates**

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

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

The Plan suggests that Huron, among others, was involved in actively marketing PA for sale and provided opinions to unnamed parties defending the quality of PA's earnings. The Plan further states that the damages to be sought by the Litigation Trust will exceed \$300 million. The Litigation Trust has not specified against which potential defendants it will bring claims, if any. We believe the Litigation Trust's allegations with respect to Huron are without merit and will vigorously defend ourselves should any claim arising out of these alleged facts and circumstances be asserted against us by the Litigation Trust.

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 Annual Report on Form 10-K, we are not a party to any other litigation or legal proceeding that, in the current opinion of management, could have a material adverse effect on our financial position or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expected results.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

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## PART II

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****Market Information**

Our common stock is traded on The NASDAQ Global Select Market under the symbol HURN. The following table sets forth, on a per share basis and for the periods indicated, the high and low sale prices for our common stock as reported by The NASDAQ Stock Market.

	High	Low
2013:		
First Quarter	\$ 41.01	\$ 31.55
Second Quarter	\$ 46.48	\$ 38.53
Third Quarter	\$ 59.39	\$ 44.20
Fourth Quarter	\$ 65.28	\$ 52.43
2014:		
First Quarter	\$ 70.41	\$ 59.27
Second Quarter	\$ 72.07	\$ 57.18
Third Quarter	\$ 72.66	\$ 59.67
Fourth Quarter	\$ 72.80	\$ 59.54

**Holders**

As of February 16, 2015, there were 776 registered holders of record of Huron's common stock. A number of the Company's stockholders have their shares in street name; therefore, the Company believes that there are substantially more beneficial owners of its common stock.

**Dividends**

We have not declared or paid dividends on our common stock since we became a public company. Our board of directors re-evaluates this policy periodically. Any determination to pay cash dividends will be at the discretion of the board of directors and will be dependent upon our results of operations, financial condition, capital requirements, terms of our financing arrangements, and such other factors as the board of directors deems relevant. In addition, our 2011 Credit Agreement restricts dividends to an amount up to \$50 million plus 50% of cumulative consolidated net income from the closing date of the 2011 Credit Agreement plus 50% of the net cash proceeds from equity issuances.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The information required by this item appears under Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters included elsewhere in this Annual Report on Form 10-K.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Our 2012 Omnibus Incentive Plan and our 2004 Omnibus Stock Plan, which was replaced by the 2012 Omnibus Incentive Plan on a prospective basis, permit the netting of common stock upon vesting of restricted stock awards to



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satisfy individual tax withholding requirements. During the quarter ended December 31, 2014, we reacquired 2,753 shares of common stock with a weighted average fair market value of \$69.71 as a result of such tax withholdings.

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

In October 2014, our board of directors authorized an additional share repurchase program permitting the Company to repurchase up to \$50 million of its common stock through October 31, 2015 (the October 2014 Share Repurchase Program). 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 the Company's common stock, general market and business conditions, and applicable legal requirements.

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs <sup>(2)</sup>
October 1, 2014 - October 31, 2014	79,752	\$ 61.52	79,752	\$ 50,000,000
November 1, 2014 - November 30, 2014	69	\$ 69.61		\$ 50,000,000
December 1, 2014 - December 31, 2014	2,684	\$ 69.71		\$ 50,000,000
Total	82,505	\$ 61.79	79,752	\$ 50,000,000

(1) The number of shares repurchased includes 69 shares in November 2014 and 2,684 shares in December 2014 to satisfy employee tax withholding requirements. These shares do not reduce the repurchase authority under the February 2014 or October 2014 Share Repurchase Programs.

(2) As of the end of the period.

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA.**

We have derived the following selected consolidated financial data as of and for the years ended December 31, 2010 through 2014 from our Consolidated Financial Statements. The following data reflects the business acquisitions that we have completed through December 31, 2014. The results of operations for acquired businesses have been included in our results of operations since the date of their acquisitions. The following data also reflects the classification of discontinued operations as of December 31, 2014. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes included elsewhere in this Annual Report on Form 10-K.

Consolidated Statements of Operations Data	Year Ended December 31,				
(in thousands, except per share data):	2014	2013	2012	2011	2010
<b>Revenues and reimbursable expenses:</b>					
Revenues	\$ 811,332	\$ 720,522	\$ 625,961	\$ 606,314	\$ 515,668
Reimbursable expenses	77,875	67,267	55,764	51,580	43,350
<b>Total revenues and reimbursable expenses</b>	<b>889,207</b>	<b>787,789</b>	<b>681,725</b>	<b>657,894</b>	<b>559,018</b>
<b>Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses) <sup>(1)</sup>:</b>					
Direct costs	500,171	443,539	384,884	376,084	317,025
Amortization of intangible assets and software development costs	4,888	3,091	3,809	5,364	4,125
Reimbursable expenses	77,856	67,320	55,772	51,673	43,223
<b>Total direct costs and reimbursable expenses</b>	<b>582,915</b>	<b>513,950</b>	<b>444,465</b>	<b>433,121</b>	<b>364,373</b>
<b>Operating expenses and other operating gains:</b>					
Selling, general and administrative expenses	155,434	138,538	125,266	119,325	111,530
Restructuring charges	3,438	761	4,004	3,829	4,062
Restatement related expenses			1,785	4,579	8,666
Litigation and other (gains) losses	(590)	(5,875)	1,150	1,096	17,316
Depreciation and amortization <sup>(1)</sup>	25,014	20,510	18,529	18,524	18,372
Goodwill impairment charges			13,083	21,973	
<b>Total operating expenses and other operating gains</b>	<b>183,296</b>	<b>153,934</b>	<b>163,817</b>	<b>169,326</b>	<b>159,946</b>
<b>Operating income</b>	<b>122,996</b>	<b>119,905</b>	<b>73,443</b>	<b>55,447</b>	<b>34,699</b>
<b>Other income (expense), net:</b>					
Interest expense, net of interest income	(8,741)	(6,518)	(8,223)	(12,259)	(14,402)
Other income (expense), net	353	252	428	(78)	262
<b>Total other expense, net</b>	<b>(8,388)</b>	<b>(6,266)</b>	<b>(7,795)</b>	<b>(12,337)</b>	<b>(14,140)</b>
<b>Income from continuing operations before income tax expense</b>	<b>114,608</b>	<b>113,639</b>	<b>65,648</b>	<b>43,110</b>	<b>20,559</b>
Income tax expense	35,557	47,176	29,695	21,629	13,132
<b>Net income from continuing operations</b>	<b>79,051</b>	<b>66,463</b>	<b>35,953</b>	<b>21,481</b>	<b>7,427</b>
Income (loss) from discontinued operations (including (loss) gain on disposal of (\$1.9) million and \$1.2 million in 2011 and 2010, respectively), net of tax		(30)	475	(962)	1,098
<b>Net income</b>	<b>\$ 79,051</b>	<b>\$ 66,433</b>	<b>\$ 36,428</b>	<b>\$ 20,519</b>	<b>\$ 8,525</b>

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Consolidated Statements of Operations Data	Year Ended December 31,				
	2014	2013	2012	2011	2010
(in thousands, except per share data):					
Net earnings per basic share:					
Net income from continuing operations	\$ 3.52	\$ 2.98	\$ 1.64	\$ 1.01	\$ 0.36
Income (loss) from discontinued operations, net of tax			0.02	(0.05)	0.05
Net income	\$ 3.52	\$ 2.98	\$ 1.66	\$ 0.96	\$ 0.41
Net earnings per diluted share:					
Net income from continuing operations	\$ 3.45	\$ 2.92	\$ 1.61	\$ 0.99	\$ 0.36
Income (loss) from discontinued operations, net of tax			\$ 0.02	\$ (0.04)	\$ 0.05
Net income	\$ 3.45	\$ 2.92	\$ 1.63	\$ 0.95	\$ 0.41
Weighted average shares used in calculating net earnings per share:					
Basic	22,431	22,322	21,905	21,324	20,546
Diluted	22,925	22,777	22,285	21,676	20,774
Consolidated Balance Sheet Data (in thousands):					
Cash and cash equivalents <sup>(2)</sup>	\$ 256,872	\$ 58,131	\$ 25,162	\$ 5,080	\$ 6,347
Working capital	\$ 309,783	\$ 99,130	\$ 83,647	\$ 41,822	\$ 34,455
Total assets	\$ 1,155,914	\$ 885,600	\$ 787,900	\$ 786,644	\$ 788,983
Long-term debt <sup>(3)</sup>	\$ 327,852	\$ 143,798	\$ 192,500	\$ 193,500	\$ 257,000
Total stockholders' equity <sup>(4)</sup>	\$ 600,634	\$ 530,264	\$ 445,321	\$ 396,789	\$ 348,372

(1) Intangible assets amortization relating to customer contracts, certain client relationships, software, and the document reviewer database and amortization of software development costs is presented as a component of total direct costs. Depreciation, amortization of leasehold improvements, and amortization of other intangible assets are presented as a component of operating expenses.

(2) Includes cash from discontinued operations of \$76 thousand as of December 31, 2010.

(3) Consists of bank borrowings, convertible senior notes, and capital lease obligations, net of current portions.

(4) We have not declared or paid dividends on our common stock in the periods presented above. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Dividends.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

You should read the following discussion and analysis of our financial condition and results of operations together with the information under Part II Item 6. Selected Financial Data, and our historical audited Consolidated Financial Statements and related notes appearing under Part II Item 8. Financial Statements and Supplementary Data. The following discussion and analysis of our financial condition and results of operations contains forward-looking statements and involves numerous risks and uncertainties, including, without limitation, those described under Part I Item 1A. Risk Factors and Forward-Looking Statements of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements.

**OVERVIEW**

## Edgar Filing: Huron Consulting Group Inc. - Form 10-K

We are a leading provider of operational and financial consulting services. We help clients in diverse industries improve performance, transform the enterprise, reduce costs, leverage technology, process and review large amounts of complex data, address regulatory changes, recover from distress, and stimulate growth. Our professionals employ their expertise in finance, operations, strategy, analytics, and technology to provide our clients with specialized analyses and

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customized advice and solutions that are tailored to address each client's particular challenges and opportunities to deliver sustainable and measurable results. We provide consulting services to a wide variety of both financially sound and distressed organizations, including healthcare organizations, leading academic institutions, Fortune 500 companies, governmental entities, and law firms.

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

During the first quarter of 2014, we reorganized our internal operating structure to better align our service offerings and moved our Enterprise Performance Management ( EPM ) practice (formerly referred to as Blue Stone International, a business that we acquired during the fourth quarter of 2013) from the Huron Education and Life Sciences segment to the Huron Business Advisory segment.

See Part I Item 1. Business Overview Our Services and Note 16 Segment Information within the notes to our consolidated financial statements for a detailed discussion of our five segments.

## **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, all of whom work variable schedules as needed by our clients. Other professionals include specialized finance and operational consultants and our document review and electronic data discovery groups, as well as full-time employees who provide software support and maintenance services to our clients. Our document review and electronic data discovery groups generate revenues primarily based on number of hours worked and units produced, such as pages reviewed or amount of data processed. We translate the hours that these other professionals work on client engagements into a full-time equivalent measure that we use to manage our business. We refer to our full-time consultants and other professionals collectively as revenue-generating professionals.

Revenues generated by our full-time consultants are primarily driven by the number of consultants we employ and their utilization rates, as well as the billing rates we charge our clients. Revenues generated by our other professionals, or full-time equivalents, are largely dependent on the number of consultants we employ, their hours worked, and billing rates charged, as well as the number of pages reviewed and amount of data processed in the case of our document review and electronic data discovery groups, respectively.

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

Time-and-expense billing arrangements require the client to pay based on either the number of hours worked, the number of pages reviewed, or the amount of data processed by our revenue-generating professionals at agreed upon rates. We recognize revenues under time-and-expense billing arrangements as the related services are rendered. Time-and-expense engagements represented 43.6%, 44.9%, and 47.7% of our revenues in 2014, 2013, and 2012, respectively.

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.

We generate revenues from licensing two types of proprietary software to clients: revenue cycle management software and research administration and compliance software. Licenses for our revenue cycle management software are

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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, which are typically fixed-fee. License revenue from our research administration and compliance software is generally recognized in the month in which the software is delivered.

For the years ended December 31, 2014, 2013, and 2012, fixed-fee engagements (including software license revenue) represented approximately 39.6%, 37.2%, and 34.7% of our revenues, 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 13.5%, 14.6%, and 14.2% of our revenues in 2014, 2013, and 2012, 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. Annual support and maintenance fee revenue is recognized ratably over the support period, which is generally one year. These fees are typically billed in advance and included in deferred revenues until recognized. Support and maintenance revenues represented 3.3%, 3.3%, and 3.4% of our revenues in 2014, 2013, and 2012, respectively.

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.

### **Reimbursable expenses**

Reimbursable expenses that are billed to clients, primarily relating to travel and out-of-pocket expenses incurred in connection with engagements, are included in total revenues and reimbursable expenses, and typically an equivalent amount of these expenses are included in total direct costs and reimbursable expenses. Reimbursable expenses also include those subcontractors who are billed to our clients at cost. We manage our business on the basis of revenues before reimbursable expenses. We believe this is the most accurate reflection of our services because it eliminates the effect of reimbursable expenses that we bill to our clients at cost.

### **Total direct costs**

Our most significant expenses are costs classified as total direct costs. These total direct costs primarily include salaries, performance bonuses, payroll taxes, and benefits for revenue-generating professionals, legal consulting facilities,

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and technology costs, as well as fees paid to independent contractors that we retain to supplement our revenue-generating professionals, typically on an as-needed basis for specific client engagements. Direct costs also include share-based compensation, which represents the cost of restricted stock and performance-based share awards granted to our revenue-generating professionals. Compensation expense for restricted stock awards and performance-based share awards is recognized ratably using either the graded vesting attribution method or the straight-line attribution method, as appropriate, over the requisite service period, which is generally three to four years. As a result of the granting of restricted stock awards, performance-based share awards, and anticipated future awards, share-based compensation expense may increase in the future. Total direct costs also include amortization of intangible assets relating to customer contracts, certain customer relationships, technology and software, and a document reviewer database, as well as internally developed software costs.

### **Operating expenses and other operating gains**

Our operating expenses include selling, general, and administrative expenses, which consist primarily of salaries, performance bonuses, payroll taxes, benefits, and share-based compensation for our support personnel. As a result of the granting of restricted stock awards and performance-based share awards and anticipated future awards, share-based compensation expense may increase in the future. Also included in this category are sales and marketing related expenses, rent and other office related expenses, professional fees, recruiting and training expenses, restructuring charges, litigation and other gains and losses, and goodwill impairment charges. Other operating expenses include depreciation and certain amortization expenses not included in total direct costs.

### **Segment results**

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 corporate office support costs, 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.

**Table of Contents****RESULTS OF OPERATIONS**

The following table sets forth, for the periods indicated, selected segment and consolidated operating results and other operating data. Certain amounts reported in the prior year have been reclassified to conform to the new segment structure that was established in the first quarter of 2014 as a result of the reorganization of our internal operating structure. For further information on our segments and the reorganization of our internal operating structure, see Note 16 Segment Information within the notes to our consolidated financial statements.

Segment and Consolidated Operating Results	Year Ended December 31,		
	2014	2013	2012
(in thousands):			
Revenues and reimbursable expenses:			
Huron Healthcare	\$ 415,803	\$ 358,766	\$ 288,762
Huron Legal	183,646	182,394	184,918
Huron Education and Life Sciences	145,962	143,609	129,427
Huron Business Advisory	62,840	34,669	22,019
All Other	3,081	1,084	835
<b>Total revenues</b>	<b>811,332</b>	<b>720,522</b>	<b>625,961</b>
<b>Total reimbursable expenses</b>	<b>77,875</b>	<b>67,267</b>	<b>55,764</b>
<b>Total revenues and reimbursable expenses</b>	<b>\$ 889,207</b>	<b>\$ 787,789</b>	<b>\$ 681,725</b>
Operating income (loss):			
Huron Healthcare	\$ 159,015	\$ 141,870	\$ 110,864
Huron Legal	46,164	41,964	44,317
Huron Education and Life Sciences	36,131	35,966	38,283
Huron Business Advisory	14,035	7,211	1,888
All Other	(2,466)	(1,256)	(2,285)
<b>Total segment operating income</b>	<b>252,879</b>	<b>225,755</b>	<b>193,067</b>
Operating expenses and gains not allocated to segments <sup>(1)</sup>	129,883	105,850	119,624
<b>Total operating income</b>	<b>\$ 122,996</b>	<b>\$ 119,905</b>	<b>\$ 73,443</b>

Other Operating Data (excluding All Other):	Year Ended December 31,		
	2014	2013	2012
Number of full-time billable consultants (at period end) <sup>(2)</sup> :			
Huron Healthcare	1,099	966	856
Huron Legal	119	141	139
Huron Education and Life Sciences	418	413	413
Huron Business Advisory	205	155	62
<b>Total</b>	<b>1,841</b>	<b>1,675</b>	<b>1,470</b>
Average number of full-time billable consultants (for the period) <sup>(2)</sup> :			
Huron Healthcare	1,070	907	819
Huron Legal	130	146	126
Huron Education and Life Sciences	417	427	368
Huron Business Advisory	180	85	67
<b>Total</b>	<b>1,797</b>	<b>1,565</b>	<b>1,380</b>





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Other Operating Data (excluding All Other):	Year Ended December 31,		
	2014	2013	2012
Full-time billable consultant utilization rate <sup>(3)</sup> :			
Huron Healthcare	78.3%	83.0%	79.5%
Huron Legal	63.5%	60.8%	67.4%
Huron Education and Life Sciences	71.3%	66.6%	73.1%
Huron Business Advisory	68.0%	72.7%	56.3%
Total	74.6%	75.9%	75.6%
Full-time billable consultant average billing rate per hour <sup>(4)</sup> :			
Huron Healthcare	\$ 248	\$ 233	\$ 224
Huron Legal <sup>(6)</sup>	\$ 242	\$ 231	\$ 240
Huron Education and Life Sciences	\$ 219	\$ 216	\$ 212
Huron Business Advisory	\$ 255	\$ 285	\$ 302
Total <sup>(6)</sup>	\$ 242	\$ 232	\$ 225
Revenue per full-time billable consultant (in thousands):			
Huron Healthcare	\$ 363	\$ 369	\$ 325
Huron Legal <sup>(6)</sup>	\$ 280	\$ 254	\$ 299
Huron Education and Life Sciences	\$ 292	\$ 272	\$ 295
Huron Business Advisory	\$ 330	\$ 392	\$ 318
Total <sup>(6)</sup>	\$ 337	\$ 333	\$ 314
Average number of full-time equivalents (for the period) <sup>(5)</sup> :			
Huron Healthcare	60	53	57
Huron Legal	1,051	1,062	1,054
Huron Education and Life Sciences	43	44	33
Huron Business Advisory	9	2	2
Total	1,163	1,161	1,146
Revenue per full-time equivalent (in thousands):			
Huron Healthcare	\$ 461	\$ 449	\$ 396
Huron Legal <sup>(6)</sup>	\$ 140	\$ 137	\$ 140
Huron Education and Life Sciences	\$ 558	\$ 620	\$ 643
Huron Business Advisory	\$ 390	\$ 530	\$ 350
Total <sup>(6)</sup>	\$ 174	\$ 170	\$ 168

(1) Operating expenses not allocated to the segments include the goodwill impairment charges, among others. The goodwill impairment charges are not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance.

(2) Consists of our full-time professionals who provide consulting services and generate revenues based on the number of hours worked.

(3) 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.

(4) 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.



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- (5) Consists of project consultants and contractors who work variable schedules as needed by our clients and generate revenues primarily based on number of hours worked and units produced, such as pages reviewed and data processed. Also includes full-time employees who provide software support and maintenance services to our clients.
- (6) During the second quarter of 2014, we revised our methodology for allocating revenue between our billable consultants and our full-time equivalents in our Huron Legal segment to better reflect the nature of the work being provided. Operating data for the year ended December 31, 2014 and 2013, as presented above, reflects this change. Operating data for the year ended December 31, 2012 was not impacted.

**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):

	Year Ended December 31,		
	2014	2013	2012
Revenues	\$ 811,332	\$ 720,522	\$ 625,961
Net income from continuing operations	\$ 79,051	\$ 66,463	\$ 35,953
Add back:			
Income tax expense	35,557	47,176	29,695
Interest and other expenses	8,388	6,266	7,795
Depreciation and amortization	29,902	23,601	22,338
Earnings before interest, taxes, depreciation and amortization (EBITDA)	152,898	143,506	95,781
Add back:			
Restructuring charges	3,438	761	4,004
Restatement related expenses			1,785
Litigation and other (gains) losses	(590)	(5,875)	1,150
Goodwill impairment charge			13,083
Adjusted EBITDA	\$ 155,746	\$ 138,392	\$ 115,803
Adjusted EBITDA as a percentage of revenues	19.2%	19.2%	18.5%

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	Year Ended December 31,		
	2014	2013	2012
Net income from continuing operations	\$ 79,051	\$ 66,463	\$ 35,953
Weighted average shares diluted	22,925	22,777	22,285
Diluted earnings per share from continuing operations	\$ 3.45	\$ 2.92	\$ 1.61
Add back:			
Amortization of intangible assets	11,101	6,798	6,987
Restructuring charges	3,438	761	4,004
Restatement related expenses			1,785
Litigation and other (gains) losses	(590)	(5,875)	1,150
Non-cash interest on convertible notes	2,139		
Goodwill impairment charges			13,083
Tax effect	(6,435)	(674)	(10,737)
Net tax benefit related to check-the-box election	(10,244)		
Total adjustments, net of tax	(591)	1,010	16,272
Adjusted net income from continuing operations	\$ 78,460	\$ 67,473	\$ 52,225
Adjusted diluted earnings per share from continuing operations	\$ 3.42	\$ 2.96	\$ 2.34

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.

*Restatement related expenses:* We incurred significant expenses related to our 2009 financial statement restatement. We have excluded the effect of these restatement related expenses from our non-GAAP measures as a means to provide comparability with periods that were not impacted by the restatement related expenses.

*Litigation and other (gains) losses:* We have excluded the effects of the remeasurement gain recorded in 2014 related to a contingent acquisition liability, the litigation gains and other loss recorded in 2013, and the litigation loss recorded in 2012 to permit comparability with periods that were not impacted by these items.

*Goodwill impairment charge:* Goodwill impairment charges are inconsistent in their amount and frequency. We have excluded the effect of this charge to permit comparability with periods that were not impacted by such charges.

*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 \$250 million principal amount of 1.25% convertible senior notes due 2019 (the 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.

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

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

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

### **Year Ended December 31, 2014 Compared to Year Ended December 31, 2013**

#### **Revenues**

Revenues increased \$90.8 million, or 12.6%, to \$811.3 million for the year ended December 31, 2014, from \$720.5 million for the year ended December 31, 2013. Included in the \$90.8 million increase in revenues was a \$63.0 million increase in revenues attributable to acquisitions completed during 2013 and 2014.

Of the overall \$90.8 million increase in revenues, \$86.3 million was attributable to our full-time billable consultants, while \$4.5 million was attributable to our full-time equivalents. The \$86.3 million increase in full-time billable consultant revenues was driven by increases in the average number of billable consultants and the average billing rate, partially offset by a decrease in our consultant utilization rate. This increase primarily reflected strengthened demand for our services in the Huron Healthcare, Huron Business Advisory, and Huron Education and Life Sciences segments. Performance-based fee revenue was \$110.3 million for the year ended December 31, 2014, compared to \$105.5 million for the year ended December 31, 2013. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide. Performance-based fee engagements may cause significant variations in revenues, operating results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria.

The \$4.5 million increase in full-time equivalent revenues was primarily driven by an increase in revenue per full-time equivalent. Revenue attributable to full-time equivalents reflected increased use of contractors in the Huron Healthcare and Huron Business Advisory segments, and increased demand for our discovery services in the Huron Legal segment, partially offset by a decreased use of contractors in the Huron Education and Life Sciences segment.

#### **Total Direct Costs**

Our total direct costs increased \$58.4 million, or 13.1%, to \$505.1 million for the year ended December 31, 2014 from \$446.6 million for the year ended December 31, 2013. The increase was primarily related to a \$49.4 million increase in salaries and related expenses for our revenue-generating professionals, a \$4.9 million increase in contractor expense, a \$3.7 million increase in bonus expense for our revenue-generating professionals, and a \$1.8 million increase in amortization expense for intangible assets and software development costs, partially offset by a \$1.7 million decrease in technology expense. As a percentage of revenues, our total direct costs increased slightly to 62.3% during 2014 compared to 62.0% during 2013. This primarily reflected an increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues, largely offset by revenue growth that outpaced the increases in bonus expense for our revenue-generating professionals and contractor expense and the decrease in technology expense. The increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues was largely driven by the businesses acquired during 2014 and the fourth quarter of 2013 within our Healthcare, Education and Life Sciences, and Business Advisory segments.

Total direct costs for the year ended December 31, 2014 included \$15.0 million of share-based compensation expense for our revenue-generating professionals compared to \$14.1 million in 2013. The increase in share-based

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compensation expense was primarily attributable to an increase in the amount of restricted stock awards granted to employees in 2014 and an increase in the amount of performance-based stock awards earned in 2014 based on 2014 performance compared to the amount of performance-based stock awards that were earned in 2013 based on 2013 performance.

Total direct costs for the year ended December 31, 2014 also included \$4.9 million of amortization expense for intangible assets and software development costs, primarily representing customer-related assets and software acquired in business combinations, compared to \$3.1 million of amortization expense in 2013. The increase in amortization expense was primarily related to the amortization of intangible assets from businesses we acquired during 2014 and the fourth quarter of 2013, as well as an increase in amortization expense for certain software development costs.

### **Operating Expenses and Other Operating Gains**

Selling, general and administrative expenses increased \$16.9 million, or 12.2%, to \$155.4 million for the year ended December 31, 2014, compared to \$138.5 million for the year ended December 31, 2013. This increase was primarily related to an \$8.9 million increase in salaries and related expenses for our support personnel, a \$2.5 million increase in promotion and sponsorship expenses, a \$2.3 million increase in facilities and other office related expenses, a \$1.1 million increase in outside professional service expenses, a \$0.9 million increase in legal expenses, and a \$0.8 million increase in accounting, tax, and audit fees. These increases were partially offset by a \$1.5 million decrease in bonus expense. As a percentage of revenues, selling, general and administrative expenses totaled 19.2% during both 2014 and 2013. Also included in selling, general and administrative expenses is share-based compensation expense for our non-revenue-generating professionals, which totaled \$5.1 million in 2014, compared to \$4.3 million in 2013.

Restructuring charges for the year ended December 31, 2014 totaled \$3.4 million, compared to \$0.8 million for the year ended December 31, 2013. The charges in 2014 primarily consisted of \$3.3 million in pretax charges related to the consolidation of office spaces in Washington, D.C., Chicago, London, and New York, and closure of our office in San Diego. Of the total \$3.3 million charge for office space reduction, \$2.0 million is related to the accrual of our remaining lease obligations at vacated spaces, net of estimated sublease income, and \$1.1 million is related to accelerated depreciation of assets disposed of as a result of the exit of space. The vacated locations in Chicago and New York were acquired as part of business acquisitions during 2013 and 2014. Also included in the total \$3.4 million restructuring charge is a \$0.2 million pretax charge related to workforce reductions in our London office to better align our resources with market demand in our Huron Legal segment. The restructuring expense in 2013 primarily consisted of a \$0.6 million charge for the consolidation of office space in the Washington, D.C. area that was acquired in the Adams Grayson acquisition that occurred in the second half of 2012. See Note 8 Restructuring Charges within the notes to our consolidated financial statements for further discussion of our restructuring expenses.

During the year ended December 31, 2014, we recorded remeasurement gains totaling \$0.6 million related to the contingent consideration liability incurred in connection with a business acquisition during the first quarter of 2014. The initial acquisition date fair value of this liability was \$0.6 million. There was no remeasurement gain or loss for the comparable period last year.

Net litigation and other gains totaled \$5.9 million for the year ended December 31, 2013. These gains primarily consisted of a \$5.3 million gain that was recorded as a result of reaching a settlement agreement to resolve a lawsuit brought by Huron.

Depreciation and amortization expense increased \$4.5 million, or 22.0%, to \$25.0 million for the year ended December 31, 2014, from \$20.5 million for the year ended December 31, 2013. The increase primarily related to the amortization of intangible assets from businesses acquired during 2014 and the fourth quarter of 2013, as well as the depreciation of network equipment and leasehold improvements that were placed into service during the second half of 2013 and first half of 2014. Intangible asset amortization included within operating expenses relates to customer relationships, non-competition agreements, trade names, and licenses acquired in connection with our acquisitions.

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**Table of Contents****Operating Income**

Operating income increased \$3.1 million, or 2.6%, to \$123.0 million for the year ended December 31, 2014, from \$119.9 million for the year ended December 31, 2013. Operating margin, which is defined as operating income expressed as a percentage of revenues, decreased to 15.2% in 2014 compared to 16.6% in 2013. The decrease in operating margin was primarily attributable to the increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues and the decrease in litigation and other gains, partially offset by revenue growth that outpaced the increase in bonus expense for our revenue-generating professionals.

**Other Expense, Net**

Other expense, net increased \$2.1 million, or 33.9%, to \$8.4 million for the year ended December 31, 2014, from \$6.3 million for the year ended December 31, 2013. Interest expense, net of interest income increased by \$2.2 million, primarily from interest expense recorded for our Convertible Notes issued in September 2014, partially offset by a decrease in our borrowing levels under our senior secured credit facility. For 2014, interest expense related to the Convertible Notes totaled \$3.5 million, consisting of \$1.0 million for the stated coupon of the Convertible Notes and \$2.5 million for the amortization of debt discount and debt issuance costs. For the year ending December 31, 2015, we expect interest expense related to the coupon of the Convertible Notes to be \$3.1 million and interest expense for the amortization of debt discount and debt issuance costs related to the Convertible Notes to be \$8.3 million.

**Income Tax Expense**

For the year ended December 31, 2014, we recognized income tax expense from continuing operations of \$35.6 million on income from continuing operations of \$114.6 million, for an effective tax rate of 31.0%. For the year ended December 31, 2013, we recognized income tax expense from continuing operations of \$47.2 million on income from continuing operations of \$113.6 million, for an effective tax rate of 41.5%. Our effective tax rate for 2014 was lower than the statutory rate, inclusive of state income taxes, primarily due to the impact of a tax election made in the first quarter of 2014 to classify one of our wholly-owned foreign subsidiaries as a disregarded entity for U.S. federal income tax purposes (commonly referred to as a check-the-box election). As a result of this election, we expect to realize an income tax benefit of \$13.8 million, of which \$2.4 million is unrecognized, resulting in a net recognized tax benefit of \$11.4 million. This recognized benefit was partially offset by \$1.2 million in expenses related to the establishment of a valuation allowance for certain foreign tax credits and increased deferred tax liabilities as a result of the aforementioned election. Our effective tax rate for 2013 was higher than the statutory rate, inclusive of state income taxes, primarily due to the impact of foreign losses with no tax benefit and certain non-deductible business expenses, partially offset by the impact of certain credits and deductions.

**Net Income from Continuing Operations**

Net income from continuing operations was \$79.1 million for the year ended December 31, 2014, compared to \$66.5 million for the year ended December 31, 2013. The \$12.6 million increase in net income from continuing operations was primarily due to the increase in operating income, as well as the decrease in income tax expense, as discussed above. As a result of the increase in net income from continuing operations, diluted earnings per share from continuing operations for the year ended December 31, 2014 was \$3.45 compared to \$2.92 for 2013.

**EBITDA and Adjusted EBITDA**

EBITDA increased \$9.4 million, or 6.5%, to \$152.9 million for the year ended December 31, 2014, from \$143.5 million for the year ended December 31, 2013. Adjusted EBITDA increased \$17.4 million, or 12.5%, to \$155.7 million in 2014 from \$138.4 million in 2013. The increase in EBITDA was primarily due to the increase in the segment operating income, as discussed below in Segment Results, partially offset by an increase in corporate expenses and a decrease in litigation and other gains. The increase in Adjusted EBITDA was primarily due to the increase in segment operating income, partially offset by an increase in corporate expenses, excluding the impact of the restructuring charges and litigation and other gains.



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**Adjusted Net Income from Continuing Operations**

Adjusted net income from continuing operations increased \$11.0 million, or 16.3%, to \$78.5 million for the year ended December 31, 2014, compared to \$67.5 million for the year ended December 31, 2013. The increase was primarily attributable to the increase in segment operating income and a decrease in tax expense when excluding the tax benefit related to our check-the-box election, partially offset by an increase in corporate expenses.

**Segment Results**

**Huron Healthcare**

**Revenues**

Huron Healthcare segment revenues increased \$57.0 million, or 15.9%, to \$415.8 million for the year ended December 31, 2014, from \$358.8 million for the year ended December 31, 2013. Revenues for the year ended December 31, 2014 included \$20.0 million from Vonlay, a business we acquired in the second quarter of 2014. During 2014, revenues from time-and-expense engagements, fixed-fee engagements, performance-based arrangements, and software support and maintenance arrangements represented 5.4%, 65.0%, 24.8%, and 4.8% of this segment's revenues, respectively, compared to 1.6%, 64.6%, 29.1%, and 4.7%, respectively, in 2013.

Of the overall \$57.0 million increase in revenues, \$53.2 million was attributable to our full-time billable consultants and \$3.8 million was attributable to our full-time equivalents. The increase in demand for our services in the Huron Healthcare segment reflected the continued pressures our clients face as the result of evolving business models, rising costs, and declining reimbursements from government and commercial payers. The increase in full-time billable consultant revenues reflected increases in the average number of full-time billable consultants and the average billing rate, partially offset by a decrease in consultant utilization rate. Performance-based fee revenue was \$103.4 million during 2014 compared to \$104.5 million during 2013. 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. With regard to our full-time equivalents, the Huron Healthcare segment experienced increases in both the average number of full-time equivalents and revenue per full-time equivalent during the year ended December 31, 2014 compared to the same period last year.

**Operating Income**

Huron Healthcare segment operating income increased \$17.1 million, or 12.1%, to \$159.0 million for the year ended December 31, 2014, from \$141.9 million for the year ended December 31, 2013. The Huron Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, decreased to 38.2% in 2014 from 39.5% in 2013. 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, as well as increases in contractor expense and intangible asset amortization expense as percentages of revenues, partially offset by revenue growth that outpaced the increase in bonus expense for our revenue-generating professionals during 2014 compared to 2013.

**Huron Legal**

**Revenues**

Huron Legal segment revenues increased \$1.2 million, or 0.7%, to \$183.6 million for the year ended December 31, 2014, from \$182.4 million for the year ended December 31, 2013. During 2014, revenues from time-and-expense

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engagements, fixed-fee engagements, performance-based arrangements, and software support and maintenance arrangements represented 95.9%, 2.8%, 1.2%, and 0.1% of this segment's revenues, respectively. During 2013, revenues from time-and-expense engagements, fixed-fee engagements, and software support and maintenance arrangements represented 95.6%, 3.8%, and 0.6% of this segment's revenues, respectively.

Of the overall \$1.2 million increase in revenues, \$1.9 million was attributable to an increase in revenue generated by our full-time equivalents, partially offset by a \$0.7 million decrease in revenue generated by our full-time billable consultants. The increase in revenue attributable to full-time equivalents was driven by an increase in revenue per full-time equivalent, partially offset by a decrease in the average number of full-time equivalents. The increase in full-time equivalent revenues reflected an increased demand for our discovery services. The \$0.7 million decrease in full-time billable consultant revenue was driven by a decrease in the average number of full-time billable consultants, partially offset by increases in the consultant utilization rate and average billing rate during 2014 compared to 2013.

**Operating Income**

Huron Legal segment operating income increased \$4.2 million, or 10.0%, to \$46.2 million for the year ended December 31, 2014, from \$42.0 million for the year ended December 31, 2013. Segment operating margin increased to 25.1% in 2014 from 23.0% in 2013. The increase in this segment's operating margin was primarily attributable to a decrease in bonus expense and salaries and related expenses for our revenue-generating professionals, as well as a decrease in technology expense. These increases to operating margin were partially offset by increases in contractor expense and salaries and related expenses for our support personnel as a percentage of revenue.

Although Huron Legal full year revenues and operating income for 2014 increased compared to 2013, the fourth quarter of 2014 was significantly lower than each of the first three quarters of 2014 and did not meet management's expectations, stemming largely from a more sudden than anticipated downturn in business resulting from the settlement of government investigations related to the credit crisis. The Huron Legal segment leadership team is currently executing several initiatives to improve the segment's financial performance and increase sales of their service offerings. We believe that the services provided by the Huron Legal segment remain relevant in the marketplace and expect performance to improve during 2015 compared to the fourth quarter of 2014. In the event that the segment's performance does not improve in line with our expectations during the first half of 2015, we may be required to perform an interim impairment analysis with respect to the carrying value of goodwill for this reporting unit prior to our annual test, and based on the outcome of that analysis, could be required to take an impairment charge as a result of any such test. For further discussion of our 2014 annual goodwill impairment test, see "Critical Accounting Policies - Carrying Values of Goodwill and Other Intangible Assets" below and Note 3 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements.

**Huron Education and Life Sciences**

**Revenues**

Huron Education and Life Sciences segment revenues increased \$2.4 million, or 1.6%, to \$146.0 million for the year ended December 31, 2014, from \$143.6 million for the year ended December 31, 2013. Revenues for 2014 included \$15.5 million from The Frankel Group Associates, a business that we acquired in the first quarter of 2014. Revenues from time-and-expense engagements, fixed-fee engagements, and software support and maintenance arrangements represented 71.2%, 24.3%, and 4.5% of this segment's revenues, respectively, during 2014, compared to 81.0%, 15.0%, and 4.0%, respectively, in 2013.

Of the overall \$2.4 million increase in revenues, \$5.4 million was attributable to an increase in revenue generated by our full-time billable consultants, partially offset by a \$3.0 million decrease in revenue generated by our full-time equivalents. The increase in revenues from our full-time billable consultants was driven by increases in the consultant utilization rate and the average billing rate, partially offset by a decrease in the average number of full-time billable consultants in 2014 compared to 2013. The decrease in revenue attributable to our full-time equivalents was attributable to decreases in both revenue per full-time equivalent and the average number of full-time equivalents in 2014 compared to 2013.

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**Table of Contents****Operating Income**

Huron Education and Life Sciences segment operating income increased \$0.2 million to \$36.1 million for the year ended December 31, 2014, from \$36.0 million for the year ended December 31, 2013. The Huron Education and Life Sciences segment operating margin decreased slightly to 24.8% for 2014 from 25.0% for 2013. The decrease in this segment's operating margin was primarily attributable to increases in salaries and related expenses for both our revenue-generating professionals and support personnel and bonus expense for our revenue-generating professionals, all as a percentage of revenues, partially offset by decreases in contractor expense and practice administration and meetings expense.

**Huron Business Advisory****Revenues**

Huron Business Advisory segment revenues increased \$28.2 million, or 81.3%, to \$62.8 million for the year ended December 31, 2014, from \$34.7 million for the year ended December 31, 2013. Revenues for 2014 included \$30.0 million from our EPM practice (formerly referred to as Blue Stone International, a business that we acquired during the fourth quarter of 2013), compared to revenues of \$4.7 million during 2013. Included in the \$30.0 million of revenues from our EPM practice in 2014 is \$0.6 million from Threshold Consulting, Inc., a business that we acquired in the fourth quarter of 2014. Revenues from time-and-expense engagements, fixed-fee engagements, and performance-based engagements represented 79.5%, 13.8%, and 6.7% of this segment's revenues, respectively, during 2014, compared to 78.8%, 18.4%, and 2.8% of this segment's revenues, respectively, in 2013. Performance-based fee revenue was \$4.2 million for the year ended December 31, 2014, of which \$2.5 million was generated by Huron Transaction Advisory LLC, our registered broker-dealer established in the first quarter of 2014. Performance-based fee revenue was \$1.0 million for the year ended December 31, 2013. 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 \$28.2 million increase in revenues, \$26.2 million was attributable to our full-time billable consultants and \$2.0 million was attributable to our full-time equivalents. The increase in revenues 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 average billing rate when comparing 2014 to 2013. The increase in revenue attributable to our full-time equivalents was driven by an increase in the average number of full-time equivalents, partially offset by a decrease in revenue per full-time equivalent. The increases in the average number of full-time billable consultants and full-time equivalents, and the decreases in the average billing rate and revenue per full-time equivalent are largely the result of our acquisition of Blue Stone International.

**Operating Income**

Huron Business Advisory segment operating income increased by \$6.8 million, or 94.6%, to \$14.0 million for the year ended December 31, 2014, compared to \$7.2 million for the year ended December 31, 2013. Segment operating margin increased to 22.3% for 2014 from 20.8% for 2013. The increase in this segment's operating margin was primarily attributable to revenue growth that outpaced the increases in bonus expense for our revenue-generating professionals and salaries and related expenses for both our revenue-generating professionals and support personnel. Decreases in restructuring expense, severance expense, and bonus expense for our support personnel also contributed to the increase in the operating margin, partially offset by increases in contractor expense, practice administration and meetings expense, and promotion and sponsorship expense as percentages of revenue.

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**Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**

**Revenues**

Revenues increased \$94.5 million, or 15.1%, to \$720.5 million for the year ended December 31, 2013, from \$626.0 million for the year ended December 31, 2012. Of the overall \$94.5 million increase in revenues, \$87.9 million was attributable to our full-time consultants, while \$6.6 million was attributable to our full-time equivalents.

The \$87.9 million increase in full-time billable consultant revenues was driven by increases in the average number of billable consultants, our average bill rate, and our consultant utilization rate. This increase primarily reflected strengthened demand for our services in the Huron Healthcare, Huron Education and Life Sciences, and Huron Business Advisory segments. Revenue attributable to full-time consultants included an increase of \$16.3 million in performance-based revenue, which was primarily generated by our Huron Healthcare segment. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide. Performance-based fee engagements may cause significant variations in revenues, operating results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria.

The \$6.6 million increase in full-time equivalent revenues was driven by increases in revenue per full-time equivalent and the average number of full-time equivalents. Revenue attributable to full-time equivalents reflected increased use of contractors in the Huron Education and Life Sciences, Huron Healthcare, and Huron Business Advisory segments, partially offset by decreased demand for our document review services in the Huron Legal segment.

**Total Direct Costs**

Our total direct costs increased \$57.9 million, or 14.9%, to \$446.6 million for the year ended December 31, 2013 from \$388.7 million for the year ended December 31, 2012. The increase was primarily related to a \$64.3 million increase in salaries, bonuses, and related expenses for our revenue-generating professionals, partially offset by a \$5.1 million decrease in contractor expense, a \$1.0 million decrease in intangible asset amortization expense, and a \$0.5 million decrease in technology expense. As a percentage of revenues, our total direct costs slightly decreased to 62.0% during 2013 compared to 62.1% during 2012. This primarily reflected the decreases in contractor expense, technology expense, and intangible asset amortization expense, as well as revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals, largely offset by an increase in bonus expense for our revenue-generating professionals as a percentage of revenues during 2013.

Total direct costs for the year ended December 31, 2013 included \$14.1 million of share-based compensation expense for our revenue-generating professionals compared to \$11.6 million in 2012. The increase in share-based compensation expense was primarily driven by an increase in the number of awards earned in 2013 based on 2013 performance compared to the number that were earned in 2012 based on 2012 performance. In the fourth quarter of 2013, the Compensation Committee of the board of directors amended certain share-based awards outstanding under our 2012 Omnibus Incentive Plan and our 2004 Omnibus Stock Plan to provide for a retirement eligibility provision. Under this provision, eligible employees who have reached 62 years of age and have completed seven years of employment with the Company will continue vesting in their share-based awards after retirement, subject to certain conditions. In connection with this new provision, we recorded a one-time charge of \$0.7 million in the fourth quarter of 2013 for additional share-based compensation expense.

As previously disclosed in our second quarter 2013 Form 10-Q, and as discussed in Note 2 – Summary of Significant Accounting Policies within the notes to our consolidated financial statements, in the second quarter of 2013, we identified a \$1.1 million error in share-based compensation expense resulting from the incorrect use of the straight-line attribution method, rather than the graded vesting attribution method, for performance awards with graded vesting features granted in prior periods. The \$1.1 million pretax adjustment, which represented the cumulative error related to all prior period financial statements beginning with the first quarter of 2010 through the first quarter of 2013, resulted in a \$0.9 million

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increase in Direct costs and a \$0.2 million increase in Selling, general and administrative expenses. After consideration of both quantitative and qualitative factors, we concluded that our previously issued annual and quarterly financial statements for the years 2010, 2011, and 2012 and the first quarter of 2013 were not materially misstated, and the effect of recognizing this adjustment during the second quarter of 2013 was not material for the period then ended and is not material for the full year 2013 results.

Total direct costs for the year ended December 31, 2013 also included \$3.1 million of amortization expense for intangible assets and software development costs, primarily representing customer-related assets and software acquired in business combinations, compared to \$3.8 million of intangible asset amortization expense in 2012. The decrease in intangible asset amortization expense was primarily attributable to an intangible asset that became fully amortized during the third quarter of 2012, partially offset by the amortization of intangible assets acquired in connection with our business acquisitions during 2013 and 2012.

**Operating Expenses and Other Operating Gains**

Selling, general and administrative expenses increased \$13.3 million, or 10.6%, to \$138.5 million for the year ended December 31, 2013, compared to \$125.3 million for the year ended December 31, 2012. This increase was primarily related to a \$12.2 million increase in salaries, bonuses, and related expenses for our support personnel, a \$1.7 million increase in practice administration and meetings expenses, a \$1.4 million increase in promotion and sponsorship expenses, a \$1.0 million increase in computer equipment and software license expenses, and a \$0.9 million increase in accounting, tax, and audit fees. These increases were partially offset by a \$2.8 million decrease in facilities and other office related expenses and a \$0.8 million decrease in training costs. As a percentage of revenues, selling, general and administrative expenses decreased to 19.2% during 2013 compared to 20.0% during 2012. This decrease primarily reflected the decreases in facilities and other office related expenses, training costs, and legal expenses, as well as our revenue growth that outpaced the growth in promotion and sponsorship expenses during 2013, partially offset by an increase in salaries, bonuses, and related expenses for our support personnel as a percentage of revenues. Also included in selling, general and administrative expenses is share-based compensation expense for our non-revenue-generating professionals, which totaled \$4.3 million in 2013, compared to \$4.0 million in 2012.

Restructuring expense for the year ended December 31, 2013 was \$0.8 million compared to \$4.0 million for the year ended December 31, 2012. The expense in 2013 primarily related to a \$0.6 million restructuring charge related to the consolidation of office space in the Washington, D.C. area. This office space was acquired in the Adams Grayson acquisition that occurred in the second half of 2012. See Note 8 Restructuring Charges within the notes to our consolidated financial statements for further discussion of our restructuring expenses.

We did not incur restatement related expenses during the year ended December 31, 2013. During 2012, expenses incurred in connection with our 2009 restatement totaled \$1.8 million and consisted primarily of legal fees. As a result of the 2012 settlement with the SEC, we do not expect to incur any additional restatement related expenses.

Net litigation and other gains totaled \$5.9 million for the year ended December 31, 2013, compared to a litigation settlement loss of \$1.2 million during 2012. During the third quarter of 2013, we reached a settlement agreement to resolve a lawsuit brought by Huron, resulting in a gain of \$5.3 million being recorded. During the second quarter of 2012, we conducted preliminary settlement discussions in another litigation matter, and as a result, we recorded a charge of \$1.2 million. In the first quarter of 2013, we were granted our motion for summary judgment and the complaint was dismissed in its entirety with prejudice. As a result, during the first quarter of 2013, we reversed the charge of \$1.2 million taken during 2012. During the fourth quarter of 2013, we settled a dispute with a former client, and as a result recorded a charge of \$0.6 million.

Depreciation expense increased \$1.2 million, or 7.8%, to \$16.5 million for the year ended December 31, 2013, from \$15.3 million for the year ended December 31, 2012. The increase was primarily related to the depreciation of servers and network equipment placed into service in the fourth quarter of 2012 and first half of 2013. Non-direct intangible assets

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amortization expense increased \$0.8 million, or 24.5%, to \$4.0 million in 2013 from \$3.2 million in 2012. The increase in amortization expense reflected amortization related to certain intangible assets acquired as the result of business combinations during 2012 and 2013, partially offset by certain intangible assets from prior acquisitions that became fully amortized during the second half of 2012. Non-direct intangible assets amortization relates to customer relationships, non-competition agreements, trade names, and licenses acquired in connection with our acquisitions.

Goodwill impairment charge expense was \$13.1 million during 2012 and was related to our Huron Business Advisory segment. See Note 3 Goodwill and Intangible Assets within the notes to our consolidated financial statements for further discussion of this charge.

### **Operating Income**

Operating income increased \$46.5 million, or 63.3%, to \$119.9 million for the year ended December 31, 2013, from \$73.4 million for the year ended December 31, 2012. Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 16.6% in 2013 compared to 11.7% in 2012. The increase in operating margin was primarily attributable to revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals and contractor expense, as well as the decreases in facilities and other office related expenses, restructuring expenses, and restatement expenses. These increases to the operating margin were partially offset by an increase in bonus expense for both our revenue-generating professionals and support personnel as a percentage of revenues when comparing 2013 to 2012. The operating margin in 2013 was also favorably impacted by the net litigation and other settlement gain in the period, while the operating margin in 2012 was negatively impacted by the goodwill impairment charge and litigation settlement loss in that period.

### **Other Expense, Net**

Other expense, net decreased \$1.5 million, or 19.6%, to \$6.3 million for the year ended December 31, 2013, from \$7.8 million for the year ended December 31, 2012. The decrease was attributable to a \$1.7 million, or 20.7%, decrease in interest expense in 2013, which was the result of a decrease in our borrowing levels combined with lower interest rates during the period.

### **Income Tax Expense**

For the year ended December 31, 2013, we recognized income tax expense from continuing operations of \$47.2 million on income from continuing operations of \$113.6 million, for an effective tax rate of 41.5%. For the year ended December 31, 2012, we recognized income tax expense from continuing operations of \$29.7 million on income from continuing operations of \$65.6 million, for an effective tax rate of 45.2%. Our effective tax rate for 2013 was higher than the statutory rate, inclusive of state income taxes, primarily due to the impact of foreign losses with no tax benefit and certain non-deductible business expenses, partially offset by the impact of certain credits and deductions. Our effective tax rate for 2012 was higher than the statutory rate, inclusive of state taxes, primarily due to the impact of foreign losses with no tax benefit, partially offset by the release of reserves for uncertain tax positions. The foreign losses with no tax benefit and the non-deductible expenses had a larger impact on our effective tax rate in 2012 compared to 2013 due to the lower pretax income from continuing operations in 2012.

### **Net Income from Continuing Operations**

Net income from continuing operations was \$66.5 million for the year ended December 31, 2013, compared to \$36.0 million for the year ended December 31, 2012. The \$30.5 million increase in net income from continuing operations was primarily due to the increase in operating income, as discussed above, partially offset by the corresponding increase in income tax expense. The offsetting increase in income tax expense was partially mitigated by a lower effective tax rate in 2013 compared to 2012. As a result of the increase in net income from continuing operations, diluted earnings per share from continuing operations for the year ended December 31, 2013 was \$2.92 compared to \$1.61 for 2012.

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**Table of Contents****EBITDA and Adjusted EBITDA**

EBITDA increased \$47.7 million to \$143.5 million for the year ended December 31, 2013, from \$95.8 million for the year ended December 31, 2012. Adjusted EBITDA increased \$22.6 million to \$138.4 million in 2013 from \$115.8 million in 2012. The increase in EBITDA was primarily driven by increases in the segment operating income of our Huron Healthcare and Huron Business Advisory segments, partially offset by decreases in the segment operating income of our Huron Education and Life Sciences and Huron Legal segments, as discussed below in Segment Results. The increase in EBITDA was also due to decreases in the goodwill impairment charge, restructuring expenses, and restatement related expenses in 2013 compared to 2012. The increase in Adjusted EBITDA was primarily due to the increase in segment operating income in 2013.

**Adjusted Net Income from Continuing Operations**

Adjusted net income from continuing operations was \$67.5 million for the year ended December 31, 2013, compared to \$52.2 million for the year ended December 31, 2012. The increase was primarily attributable to the increase in segment operating income.

**Segment Results****Huron Healthcare****Revenues**

Huron Healthcare segment revenues increased \$70.0 million, or 24.2%, to \$358.8 million for the year ended December 31, 2013, from \$288.8 million for the year ended December 31, 2012. Revenues from time-and-expense engagements, fixed-fee engagements, performance-based arrangements, and software support and maintenance arrangements represented 1.6%, 64.6%, 29.1%, and 4.7% of this segment's revenues in 2013, respectively, compared to 1.3%, 62.4%, 30.7%, and 5.6% in 2012, respectively.

Of the overall \$70.0 million increase in revenues, \$68.5 million was attributable to our full-time billable consultants and \$1.5 million was attributable to our full-time equivalents. The increase in demand for our services in the Huron Healthcare segment reflects the increased pressures our clients face as the result of evolving business models, rising costs, and declining reimbursements from government and commercial payers. The increase in full-time billable consultant revenues reflected increases in the average number of full-time billable consultants, consultant utilization rate, and average billing rate. Performance-based fee revenue was \$104.5 million during 2013 compared to \$88.6 million during 2012. This increase in performance-based fee revenue reflected our execution of favorable results at certain healthcare clients during the fourth quarter of 2013. 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. With regard to our full-time equivalents, the Huron Healthcare segment experienced an increase in revenue per full-time equivalent, partially offset by a decrease in the average number of full-time equivalents during 2013 compared to 2012.

**Operating Income**

Huron Healthcare segment operating income increased \$31.0 million, or 28.0%, to \$141.9 million for the year ended December 31, 2013, from \$110.9 million for the year ended December 31, 2012. The Huron Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, increased to 39.5% in 2013 from 38.4% in 2012. The increase in this segment's operating margin was primarily attributable to revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals, as well as decreases in technology expense, contractor expense, intangible asset amortization expense, legal expenses, and severance expense, partially offset by an increase in the bonus expense for our revenue-generating professionals as a percentage of revenues during 2013 compared to 2012.

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### **Huron Legal**

#### **Revenues**

Huron Legal segment revenues decreased \$2.5 million, or 1.4%, to \$182.4 million for the year ended December 31, 2013, from \$184.9 million for the year ended December 31, 2012. Revenues from time-and-expense engagements, fixed-fee engagements, and software support and maintenance arrangements represented 95.6%, 3.8%, and 0.6% of this segment's revenues during 2013, respectively, compared to 95.5%, 4.3%, and 0.2% in 2012, respectively.

Of the overall \$2.5 million decrease in revenues, \$1.9 million was attributable to a decrease in revenue generated by our full-time equivalents, while \$0.6 million was attributable to a decrease in revenue generated by our full-time billable consultants. The decrease in revenue attributable to full-time equivalents was driven by a decrease in revenue per full-time equivalent, partially offset by an increase in the average number of full-time equivalents. The decrease in full-time equivalent revenues reflected a decreased demand for our document review services. The \$0.6 million decrease in full-time billable consultant revenue was driven by decreases in the consultant utilization rate and average bill rate, partially offset by an increase in the average number of full-time billable consultants.

#### **Operating Income**

Huron Legal segment operating income decreased \$2.3 million, or 5.3%, to \$42.0 million for the year ended December 31, 2013, from \$44.3 million for the year ended December 31, 2012. Segment operating margin decreased to 23.0% in 2013 from 24.0% in 2012. The decrease in this segment's operating margin was primarily attributable to increases in salaries and related expenses for both our revenue-generating professionals and support personnel, as well as increases in technology expense and promotion and sponsorship expenses, largely offset by decreases in contractor expense, bonus expense for our revenue-generating professionals, and restructuring expense as percentages of revenues.

### **Huron Education and Life Sciences**

#### **Revenues**

Huron Education and Life Sciences segment revenues increased \$14.2 million, or 11.0%, to \$143.6 million for the year ended December 31, 2013, from \$129.4 million for the year ended December 31, 2012. Revenues from time-and-expense engagements, fixed-fee engagements, and software support and maintenance arrangements represented 81.0%, 15.0%, and 4.0% of this segment's revenues during 2013, respectively, compared to 78.2%, 17.9%, and 3.9% in 2012, respectively.

Of the overall \$14.2 million increase in revenues, \$8.4 million was attributable to our full-time billable consultants and \$5.8 million was related to our full-time equivalents. The overall increase in demand for our services in the Huron Education and Life Sciences segment reflected the increased competitive pressures faced by our clients as the result of increased regulation, rising costs, and declining funding. The increase in revenues from our full-time billable consultants was driven by increases in the average number of full-time billable consultants and the average billing rate in 2013 compared to 2012, partially offset by a decrease in the consultant utilization rate. The increase in revenue attributable to our full-time equivalents was driven by an increase in the average number of full-time equivalents in 2013 compared to 2012, partially offset by a decrease in revenue per full-time equivalent during the same period.

#### **Operating Income**

Huron Education and Life Sciences segment operating income decreased \$2.3 million, or 6.1%, to \$36.0 million for the year ended December 31, 2013, from \$38.3 million for the year ended December 31, 2012. The Huron Education and Life Sciences segment operating margin decreased to 25.0% for 2013 from 29.6% for 2012. The decrease in this



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segment's operating margin was primarily attributable to increases in contractor expense, salaries and related expenses for both our revenue-generating professionals and support personnel, and practice administration and meetings expenses, all as percentages of revenues, partially offset by a decrease in bonus expense for our revenue-generating professionals.

**Huron Business Advisory****Revenues**

Huron Business Advisory segment revenues increased \$12.7 million, or 57.5%, to \$34.7 million for the year ended December 31, 2013, from \$22.0 million for the year ended December 31, 2012. Revenues for 2013 included \$4.7 million from our EPM practice (formerly referred to as Blue Stone International, a business that we acquired during the fourth quarter of 2013). Revenues from time-and-expense engagements, fixed-fee engagements, and performance-based engagements represented 78.8%, 18.4%, and 2.8% of this segment's revenues during 2013, respectively, compared to 74.1%, 23.6%, and 2.3% of this segment's revenues in 2012, respectively.

Of the overall \$12.7 million increase in revenues, \$12.1 million was attributable to our full-time billable consultants and \$0.6 million was attributable to our full-time equivalents. The increase in revenues from our full-time billable consultants reflected an increase in our consultant utilization rate and the average number of full-time billable consultants, partially offset by a decrease in average bill rate when comparing 2013 to 2012. The increase in revenue attributable to our full-time equivalents was driven by an increase in revenue per full-time equivalent in 2013 compared to 2012. Performance-based fee revenues were \$1.0 million in 2013 compared to \$0.5 million in 2012. The overall increase in revenues is also partly attributable to an increase in demand for our restructuring and turnaround and operational improvement consulting services. The increased demand within this segment is partially the result of the initiatives we undertook during 2012, which included, among other things, broadening our service offerings, hiring additional managing directors, and increasing collaboration with our other practices, all of which were intended to increase demand for our services and improve the segment's financial performance.

**Operating Income**

Huron Business Advisory segment operating income increased by \$5.3 million to \$7.2 million for the year ended December 31, 2013, compared to \$1.9 million for the year ended December 31, 2012. Segment operating margin increased to 20.8% for 2013 from 8.6% for 2012. The increase in this segment's operating margin was primarily attributable to revenue growth that outpaced the increase in salaries and related expenses for both our revenue-generating professionals and support personnel and decreases in promotion and sponsorship expense and practice administration and meetings expenses, partially offset by an increase in bonus expense for both our revenue-generating professionals and support personnel as a percentage of revenues.

**LIQUIDITY AND CAPITAL RESOURCES**

Cash and cash equivalents were \$256.9 million, \$58.1 million, and \$25.2 million at December 31, 2014, 2013, and 2012, respectively. As of December 31, 2014, our primary sources of liquidity are cash on hand, cash flows from our U.S. operations, and borrowing capacity available under our credit facility.

Cash Flows	Year Ended December 31,		
	2014	2013	2012
(in thousands):			
Net cash provided by operating activities	\$ 146,453	\$ 115,258	\$ 102,364
Net cash used in investing activities	\$ (93,831)	\$ (52,658)	\$ (74,239)
Net cash provided by (used in) financing activities	\$ 146,170	\$ (29,648)	\$ (8,071)

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### **Operating Activities**

Net cash provided by operating activities totaled \$146.5 million, \$115.3 million, and \$102.4 million for the years ended December 31, 2014, 2013, and 2012, respectively. 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 in 2014 compared to 2013 was primarily attributable to increased cash collections from clients, driven by our growth in revenues, as well as lower tax payments, and higher net income, partially offset by an increase in the amount paid for annual performance bonuses and an increase in unbilled services from clients. The increase in the unbilled services from clients was driven by several large healthcare implementation projects where the services provided and corresponding revenue recognized as of December 31, 2014 has exceeded the amount billed to the client in accordance with the contractual billing terms. We expect to bill and collect these unbilled services in 2015. The increase in unbilled services is largely offset by the improved collections on billed services.

The increase in cash provided by operations in 2013 when compared to 2012 was primarily attributable to higher net income and lower bonus payments in 2013, partially offset by an increase in receivables of billed and unbilled services from clients and increased tax payments during 2013 compared to 2012. The increase in receivables of billed services from clients was primarily driven by several large performance-based fee engagements where the revenue recognized as of December 31, 2013 was not collected until the first quarter of 2014.

### **Investing Activities**

Net cash used in investing activities was \$93.8 million, \$52.7 million, and \$74.2 million for the years ended December 31, 2014, 2013, and 2012, respectively.

The use of cash in 2014 primarily consisted of \$54.0 million for purchases of businesses, \$25.9 million for purchases of property and equipment, and \$12.5 million for the purchase of a convertible debt investment in Shorelight Holdings, LLC ( Shorelight ). Shorelight, the parent company of Shorelight Education, is a U.S.-based company that partners with leading nonprofit universities to increase access and retention of international students, boost institutional growth, and enhance an institution's global footprint. The zero coupon convertible notes will mature on July 1, 2020, unless converted earlier.

The use of cash in 2013 primarily consisted of \$30.3 million for purchases of businesses and \$20.2 million for purchases of property and equipment.

The use of cash in 2012 primarily consisted of \$32.2 million of additional purchase consideration earned by the selling shareholders of businesses that we acquired in previous years based on 2011 performance, \$22.1 million for business acquisitions in 2012, and \$17.5 million for purchases of property and equipment.

We estimate that the cash utilized for purchases of property and equipment in 2015 will be approximately \$30.0 million, primarily consisting of information technology related equipment and leasehold improvements to support our corporate infrastructure and our document review and processing services.

### **Financing Activities**

Net cash provided by financing activities was \$146.2 million for the year ended December 31, 2014, while net cash used in financing activities was \$29.6 million and \$8.1 million for the years ended December 31, 2013 and 2012, respectively. In September 2014, we issued \$250 million principal amount of the Convertible Notes, which provided proceeds of \$242.7 million, net of issuance costs. In connection with the issuance of the Convertible Notes, we paid

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\$42.1 million for the convertible note hedge transactions and received \$23.6 million for the sale of warrants. Borrowings made under our credit facility to fund operations during 2014 totaled \$129.0 million, with repayments during the period totaling \$154.0 million. During 2014, we repurchased and retired \$50.0 million of our common stock under the February 2014 Share Repurchase Program, which completed the repurchase program. In October 2014, our board of directors authorized an additional share repurchase program pursuant to which we may, from time to time, repurchase up to \$50.0 million of our common stock through October 31, 2015. The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, general market and business conditions, and applicable legal requirements. As of December 31, 2014, \$50.0 million remained available for share repurchases under the October 2014 Share Repurchase Program.

During 2013, our financing activities primarily consisted of \$119.8 million of repayments on our credit facility, mostly offset by \$96.0 million of borrowings made under our credit facility. Our financing activities during 2013 also included \$5.4 million of deferred acquisition payments related to prior year acquisitions and \$1.2 million for debt issuance costs.

During 2012, repayments on our credit facility totaled \$274.0 million, while borrowings made under our credit facility totaled \$273.0 million. Our cash used in financing activities during 2012 also included \$4.4 million of cash paid for employees' tax withholding obligations as part of a net-share settlement of share-based awards, \$2.5 million of cash paid for debt issuance costs, and \$2.0 million for deferred acquisition payments.

## **Financing Arrangements**

At December 31, 2014, we had \$250 million principal amount of our 1.25% convertible senior notes outstanding and \$143.8 million outstanding under our term loan, as discussed below.

### *1.25% Convertible Senior Notes*

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

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

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

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

For further information see Note 5 Financing Arrangements within the notes to our consolidated financial statements. For a discussion of certain risks and uncertainties related to the Convertible Notes see Part I Item 1A. Risk Factors.

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### *Senior Secured Credit Facility*

During 2011, the Company and certain of the Company's subsidiaries as guarantors entered into an Amended and Restated Credit Agreement, as amended, with various financial institutions (as amended and modified, the "2011 Credit Agreement"). The 2011 Credit Agreement consists of a senior secured credit facility in an aggregate principal amount of \$450.0 million comprised of a five-year revolving credit facility ("Revolver") under which the Company may borrow from time to time up to \$247.5 million and a \$202.5 million five-year term loan facility ("Term Loan") that was funded in a single advance on the closing date of the first amendment. The 2011 Credit Agreement provides for the option to increase the revolving credit facility in an aggregate amount of up to \$50 million subject to certain requirements as defined in the 2011 Credit Agreement. The proceeds of the senior secured credit facility were used to refinance existing indebtedness and will continue to be used for working capital, capital expenditures, and other corporate purposes.

The principal balance of the Term Loan is subject to scheduled quarterly principal payments. As of December 31, 2014, the quarterly principal payments are \$6.3 million and increase to \$7.5 million beginning June 30, 2015 until the maturity date of September 25, 2018, at which time a final payment of \$40 million, plus any accrued and unpaid interest, will be due, as set forth in the 2011 Credit Agreement. Any outstanding borrowings under the Revolver, as amended, will be due upon expiration of the 2011 Credit Agreement on September 25, 2018.

Under the 2011 Credit Agreement, dividends are restricted to an amount up to \$50 million plus 50% of cumulative consolidated net income from the closing date of the 2011 Credit Agreement plus 50% of the net cash proceeds from equity issuances.

Borrowings outstanding under the senior secured credit facility at December 31, 2014 totaled \$143.8 million, all of which was under the Term Loan. These borrowings carried a weighted average interest rate of 2.3%, including the effect of the interest rate swaps described below in Item 7A. Quantitative and Qualitative Disclosures About Market Risk. The borrowing capacity under the Revolver is reduced by any outstanding borrowings under the Revolver and outstanding letters of credit. At December 31, 2014, we had no borrowings outstanding under the Revolver, and outstanding letters of credit totaled \$5.1 million, which are primarily used as security deposits for our office facilities. As of December 31, 2014, the unused borrowing capacity under the 2011 Credit Agreement was \$242.4 million. The average daily outstanding balance under our credit facility was \$165.2 million during the year ended December 31, 2014.

Borrowings outstanding under this credit facility at December 31, 2013 were \$168.8 million and carried a weighted average interest rate of 2.0% including the effect of the interest rate swaps.

For further information see Note 5 "Financing Arrangements" within the notes to our consolidated financial statements. For a discussion of certain risks and uncertainties related to the 2011 Credit Agreement see Part I Item 1A. Risk Factors.

### **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 on hand, 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.

**Table of Contents****CONTRACTUAL OBLIGATIONS**

The following table represents our significant obligations and commitments as of December 31, 2014 and the scheduled years of payments (in thousands).

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term bank borrowings principal and interest <sup>(1)</sup>	\$ 149,535	\$ 30,977	\$ 62,963	\$ 55,595	\$
Convertible senior notes principal and interest <sup>(2)</sup>	265,807	3,307	6,250	256,250	
Capital lease obligations <sup>(3)</sup>	49	49			
Operating lease obligations <sup>(3)</sup>	79,882	14,577	23,267	15,245	26,793
Purchase obligations <sup>(4)</sup>	19,961	13,665	5,607	689	
Uncertain tax positions <sup>(5)</sup>	2,488				
Deferred compensation <sup>(6)</sup>	7,452				
<b>Total contractual obligations</b>	<b>\$ 525,174</b>	<b>\$ 62,575</b>	<b>\$ 98,087</b>	<b>\$ 327,779</b>	<b>\$ 26,793</b>

- (1) The interest payments on long-term bank borrowings are estimated in the table above based on the principal amount outstanding as of December 31, 2014, the scheduled quarterly principal payments, and the interest rate in effect as of December 31, 2014. The actual interest payments may differ in the future based on changes in our borrowings outstanding. Actual interest payments may also differ as the interest rate varies based on fluctuations in the variable base rates provided for in the 2011 Credit Agreement and the spread we pay over those base rates. Refer to Liquidity and Capital Resources and Note 5 Financing Arrangements within the notes to our consolidated financial statements for more information on our outstanding borrowings.
- (2) In September 2014, we issued \$250 million principal of 1.25% convertible senior notes due 2019. We will pay cash interest on the outstanding notes at an annual rate of 1.25% semi-annually on April 1 and October 1 of each year until October 1, 2019, at which time we will repay any accrued and unpaid interest and the principal amount of all outstanding notes.
- (3) We lease our facilities and equipment under operating and capital lease arrangements expiring on various dates through 2024, with various renewal options. We lease office facilities under non-cancelable operating leases that include fixed or minimum payments plus, in some cases, scheduled base rent increases over the term of the lease. Certain leases provide for monthly payments of real estate taxes, insurance and other operating expense applicable to the property. Some of the leases contain provisions whereby the future rental payments may be adjusted for increases in operating expense above the specified amount.
- (4) Purchase obligations include sponsorships, subscriptions to research tools, information technology, and other commitments to purchase services where we cannot cancel or would be required to pay a termination fee in the event of cancellation.
- (5) Our liabilities for uncertain tax positions are classified as non-current. As we are unable to reasonably estimate the timing of future payments as it depends on examinations by taxing authorities, the related balance has not been reflected in the Payments Due by Period section of the table.

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- (6) Included in Deferred compensation and other liabilities on our Consolidated Balance Sheet as of December 31, 2014 is a \$7.5 million obligation for deferred compensation. As the specific payment dates for the deferred compensation are unknown, the related balances have not been reflected in the Payments Due by Period section of the table. Refer to Note 12 Employee Benefit and Deferred Compensation Plans within the notes to our consolidated financial statements for more information on our deferred compensation plan.

### **OFF-BALANCE SHEET ARRANGEMENTS**

We have not entered into any off-balance sheet arrangements.

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### **CRITICAL ACCOUNTING POLICIES**

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ). Our significant accounting policies are discussed in Note 2 Summary of Significant Accounting Policies, within the notes to our consolidated financial statements. 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.

#### **Revenue Recognition**

We recognize revenues in accordance with Account Standards Codification ( ASC ) 605, Revenue Recognition. Under ASC 605, revenue is recognized when persuasive evidence of an arrangement exists, the related services are provided, the price is fixed or determinable, and collectability is reasonably assured. We generate the majority of our revenues from providing professional services under four types of billing arrangements: time-and-expense, fixed-fee (including software license revenue), performance-based, and support and maintenance for the software we deploy.

Time-and-expense billing arrangements require the client to pay based on the number of hours worked, the number of pages reviewed, or the amount of data processed by our revenue-generating professionals at agreed upon rates. We recognize revenues under time-and-expense arrangements as the related services are rendered.

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. We 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. Estimates of total engagement revenues and cost of services are monitored regularly during the term of the engagement. If our estimates indicate a potential loss, such loss is recognized in the period in which the loss first becomes probable and reasonably estimable.

In performance-based billing arrangements, fees are tied to the attainment of contractually defined objectives. We do not recognize revenues under performance-based billing arrangements until all related performance criteria are met.

We also generate revenues from licensing two types of proprietary software to clients. 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 in accordance with ASC 605. License revenue from our research administration and compliance software is recognized in accordance with ASC 985-605, generally in the month in which the software is delivered.

Clients that have purchased one of our software licenses can pay an annual fee for software support and maintenance. Annual support and maintenance fee revenue is recognized ratably over the support period, which is generally one year. These fees are billed in advance and included in deferred revenues until recognized.

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We have arrangements with clients in which we provide multiple elements of services under one engagement contract. Revenues under these types of arrangements are allocated to each element based on the element's fair value in accordance with ASC 605 and recognized pursuant to the criteria described above.

Provisions are recorded for the estimated realization adjustments on all engagements, including engagements for which fees are subject to review by the bankruptcy courts. Expense reimbursements that are billable to clients are included in total revenues and reimbursable expenses, and typically an equivalent amount of reimbursable expenses are included in total direct costs and reimbursable expenses. Reimbursable expenses are primarily recognized as revenue in the period in which the expense is incurred. Subcontractors that are billed to clients at cost are also included in reimbursable expenses.

Differences between the timing of billings and the recognition of revenue are recognized as either unbilled services or deferred revenues in the accompanying consolidated balance sheets. Revenues recognized for services performed but not yet billed to clients are recorded as unbilled services. Client prepayments and retainers are classified as deferred revenues and recognized over future periods as earned in accordance with the applicable engagement agreement.

### **Allowances for Doubtful Accounts and Unbilled Services**

We maintain allowances for doubtful accounts and for services performed but not yet billed based on several factors, including the estimated cash realization from amounts due from clients, an assessment of a client's ability to make required payments, and the historical percentages of fee adjustments and write-offs by age of receivables and unbilled services. The allowances are assessed by management on a regular basis. These estimates may differ from actual results. If the financial condition of a client deteriorates in the future, impacting the client's ability to make payments, an increase to our allowance might be required or our allowance may not be sufficient to cover actual write-offs.

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

### **Carrying Values of Goodwill and Other Intangibles Assets**

For acquisitions accounted for as a business combination, goodwill represents the excess of the cost over the fair value of the net assets acquired. We are required to test goodwill for impairment, at the reporting unit level, annually and when events or circumstances indicate the fair value of a reporting unit may be below its carrying value. A reporting unit is an operating segment or one level below an operating segment (referred to as a component) to which goodwill is assigned when initially recorded. We assign goodwill to reporting units based on our integration plans and the expected synergies resulting from the acquisition. We have six reporting units, which consist of our Huron Healthcare, Huron Legal, Huron Education and Life Sciences, and All Other operating segments, and our Financial Advisory practice and Enterprise Performance Management ( EPM ) practice, which make up our Huron Business Advisory operating segment.

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. We perform our annual goodwill impairment test as of November 30 and monitor for interim triggering events on an ongoing basis.

Goodwill is reviewed for impairment utilizing a qualitative assessment or a two-step process. We have an option to make a qualitative assessment of a reporting unit's goodwill for impairment. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. For reporting units where we perform the two-step process, the first step requires us to compare the fair value of each reporting unit, which we determine using a combination of the income approach and the market approach, to the respective carrying value, which includes goodwill. For companies providing services similar to those provided by us, the



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income and market approaches will generally provide the most reliable indications of fair value because the value of such companies is dependent on their ability to generate earnings. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, there is an indication that an impairment may exist and the second step is required. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

We tested our goodwill for impairment twice during 2014, as discussed below.

***First Quarter 2014 Goodwill Reassignment.*** During the first quarter of 2014, we reorganized our internal operating structure to better align our service offerings and moved our EPM practice (formerly referred to as Blue Stone International, a business which we acquired during the fourth quarter of 2013) from the Huron Education and Life Sciences segment to the Huron Business Advisory segment. As a result of this change, we reassigned the goodwill balance of the EPM practice, which totaled \$16.7 million as of March 31, 2014, from the Huron Education and Life Sciences reporting unit to the EPM reporting unit, which is part of the Huron Business Advisory segment.

In conjunction with the goodwill reassignment, we performed an interim impairment test for the goodwill balances within our Huron Education and Life Sciences and EPM reporting units as of March 31, 2014. Our goodwill impairment test was performed using the quantitative two-step process. In estimating the fair value of these two reporting units, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. Based on the results of the first step of the goodwill impairment test, we determined that the fair values of our Huron Education and Life Sciences and EPM reporting units exceeded their carrying values by 46% and 12%, respectively. Since the fair value of each reporting unit exceeded its carrying value, the second step of the goodwill impairment test was not necessary.

***2014 Annual Goodwill Impairment Analysis.*** Pursuant to our policy, we performed our annual goodwill impairment test as of November 30, 2014 on our five reporting units with goodwill balances: Huron Healthcare, Huron Legal, Huron Education and Life Sciences, Financial Advisory and EPM. Our All Other reporting unit does not have a goodwill balance.

For the Huron Healthcare, Huron Education and Life Sciences, and Financial Advisory reporting units, we first qualitatively assessed whether it was more likely than not that the respective fair values of these reporting units were less than their carrying amounts, including goodwill. We considered various qualitative factors, including macroeconomic conditions, relevant industry and market trends for each reporting unit, and other entity-specific events that could indicate a potential change in the fair value of our reporting units or the composition of their carrying values. We considered the specific outlooks for each reporting unit based on our most recent financial projections. We also considered the fact that most of the valuation multiples used in the market approach, which are derived from guideline companies, increased over the past year. In addition, we considered the most recent quantitative analysis performed for each reporting unit, which indicated the fair values of these reporting units significantly exceeded their carrying amounts. Based on our assessments, we determined that the fair values for the Huron Healthcare, Huron Education and Life Sciences, and Financial Advisory reporting units were more likely than not greater than their respective carrying amounts. As such, performing the first step of the two-step impairment test for these reporting units was unnecessary.

For the Huron Legal and EPM reporting units, we performed the first step of the quantitative two-step impairment test by comparing the fair value of each reporting unit to the respective carrying amount, including goodwill. Based on the results of the first step of the goodwill impairment test, we determined that the fair values of the Huron Legal and EPM reporting units exceeded their carrying values by 28% and 14%, respectively. Since the fair value of each reporting unit exceeded its respective carrying value, the second step of the goodwill impairment test was not necessary.

In estimating the fair value of our Huron Legal and EPM reporting units, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting.

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In the income approach, we utilized a discounted cash flow analysis, which involves estimating the expected after-tax cash flows that will be generated by the reporting unit and then discounting those cash flows to present value reflecting the relevant risks associated with the reporting unit and the time value of money. This approach requires the use of significant estimates and assumptions, including long-term projections of future cash flows, market conditions, discount rates reflecting the risk inherent in future cash flows, revenue growth, perpetual growth rates, and profitability, among others. In estimating future cash flows, we relied on an internally generated seven-year forecast. For periods after the seven-year forecast, we assumed a long-term annual revenue growth rate of 3.5% for both reporting units. Our forecast is based on historical experience, current backlog, expected market demand, and other industry information. Our discounted cash flow analysis assumed a 13.0% weighted average cost of capital ( WACC ) discount rate for both reporting units.

In the market approach, we utilized the guideline company method, which involved calculating valuation multiples based on operating data from guideline publicly traded companies. Multiples derived from guideline companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. These multiples are evaluated and adjusted based on our specific characteristics relative to the selected guideline companies and applied to the operating data for the reporting units to arrive at an indication of value.

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

While the results of the first step of the Huron Legal goodwill impairment analysis indicated its fair value exceeded its carrying value, including goodwill, by 28%, or \$28.7 million, this represents a decrease compared to the prior quantitative impairment analysis performed as of November 30, 2012, which, at that time, indicated its fair value exceeded its then carrying value by 60%, or \$74.6 million. The decrease is primarily a result of a decrease in expected after-tax cash flows that will be generated by the reporting unit, which was driven by the decline in revenue and operating income during the second half of 2014, and especially the fourth quarter of 2014. Although Huron Legal full year revenues and operating income for 2014 increased compared to 2013, the fourth quarter 2014 results were significantly lower than each of the first three quarters of 2014 and did not meet management's expectations, stemming largely from a more sudden than anticipated downturn in business resulting from the settlement of government investigations related to the credit crisis. The Huron Legal segment leadership team is currently executing several initiatives to improve the segment's financial performance and increase sales of their service offerings. We believe that the services provided by the Huron Legal segment remain relevant in the marketplace and expect performance to improve during 2015 compared to the fourth quarter of 2014. In the event that the segment's performance does not improve in line with our expectations during the first half of 2015, we may be required to perform an interim impairment analysis with respect to the carrying value of goodwill for this reporting unit prior to our annual test, and could be required to take an impairment charge as a result of any such test.

The table below presents, based on the goodwill impairment test performed as of November 30, 2014, the decrease in the fair value of our Huron Legal and EPM reporting units given a 100 basis point increase in the assumed discount rate or a 100 basis point decrease in the assumed long-term annual revenue growth rate.

	Huron Legal		Enterprise Performance Management	
	Decrease in Fair Value of the Reporting Unit (in thousands)	Percentage by which Fair Value Exceeds Carrying Amount	Decrease in Fair Value of the Reporting Unit (in thousands)	Percentage by which Fair Value Exceeds Carrying Amount
Discount rate increase by 100 bps	\$ 5,300	23%	\$ 1,500	9%
Long-term growth rate decrease by 100 bps	\$ 2,500	26%	\$ 800	11%

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The carrying values of goodwill for each of our reporting units as of December 31, 2014 are as follows (in thousands):

Reporting Unit	Carrying Value of Goodwill
Huron Healthcare	\$ 377,588
Huron Legal	52,555
Huron Education and Life Sciences	102,906
Financial Advisory	16,094
Enterprise Performance Management	18,003
Total	\$ 567,146

Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill. Our intangible assets, net of accumulated amortization, totaled \$24.7 million at December 31, 2014 and primarily consist of customer contracts, customer relationships, non-competition agreements, trade names, technology and software, and a document reviewer database. We use valuation techniques in estimating the initial fair value of acquired intangible assets. These valuations are primarily based on the present value of the estimated net cash flows expected to be derived from the intangible assets, discounted for assumptions such as future customer attrition. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For example, higher or earlier-than-expected customer attrition may result in an increase in future amortization charges or an impairment charge for customer-related intangible assets.

**Income Taxes**

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. In determining our provision for income taxes on an interim basis, we estimate our annual effective tax rate based on information available at each interim period.

Deferred tax assets and liabilities are recorded for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in our management's opinion, it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Our tax positions are subject to income tax audits by federal, state, local, and foreign tax authorities. A tax benefit from an uncertain position may be recognized in the financial statements only if it is more likely than not that the position is sustainable, based on its technical merits. We measure the tax benefit recognized as the largest amount of benefit which is more likely than not to be realized upon settlement with the taxing authority. The estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts and circumstances existing at that time.

**NEW ACCOUNTING PRONOUNCEMENTS**

In August 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This ASU requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related footnote disclosures. The guidance will be effective for the Company for the fiscal year ending December 31, 2016, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

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In June 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. This guidance requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, *Compensation - Stock Compensation*, as it relates to such awards. This guidance is effective for the Company beginning in the first quarter of 2016, with early adoption permitted. The amendments of ASU 2014-12 may be applied either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying the amendments as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 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. This guidance is effective for the Company beginning in the first quarter of 2017 and is to be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. We are currently evaluating the potential effect of adopting this guidance on our consolidated financial statements, as well as the transition methods.

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This guidance includes amendments that change the requirements for reporting discontinued operations and require additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations that has (or will have) a major effect on the entity's operations and financial results should be presented as discontinued operations. Examples include a disposal of a major geographic area, a major line of business, a major equity method investment, or other major parts of an entity. Additionally, the revised guidance requires expanded disclosures in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. This guidance is effective for the Company beginning in the first quarter of 2015. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This guidance requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as either a reduction to a deferred tax asset or separately as a liability depending on the existence, availability and/or use of an operating loss carryforward, a similar tax loss, or a tax credit carryforward. The Company adopted ASU 2013-11 effective January 1, 2014. The adoption of this guidance did not have any effect on the Company's consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment Upon Derecognition of Certain Subsidiaries or Groups of Assets Within a Foreign Entity or of an Investment in a Foreign Entity*, which amends current accounting guidance on foreign currency matters. This guidance requires that the entire amount of a cumulative translation adjustment related to an entity's investment in a foreign entity should be released when there has been a: (i) sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity, (ii) loss of a controlling financial interest in an investment in a foreign entity, and (iii) step acquisition for a foreign entity. The Company adopted ASU 2013-05 effective January 1, 2014. The adoption of this guidance did not have any effect on the Company's consolidated financial statements.

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**SUBSEQUENT EVENTS**

Effective January 1, 2015, we completed our acquisition of Sky Analytics, Inc., a Massachusetts-based provider of legal spend management software for corporate law departments. Sky Analytics provides in-house legal departments with a web-based platform to access on-demand legal spend information and analytics. The results of operations of Sky Analytics will be included within the Huron Legal segment.

On February 12, 2015, we completed our acquisition of Studer Holdings, Inc. ( Studer Group ). Studer Group and its subsidiaries are primarily engaged in the healthcare and education consulting, coaching, and publishing business. Under the terms of the merger agreement, we acquired Studer Group for the base purchase price of \$325 million, consisting of \$323 million in cash and \$2 million in Huron common stock. The cash component of the transaction was financed with cash on hand and borrowings under our senior secured credit facility. The results of operations of Studer Group will be included within the Huron Healthcare segment. Supplemental pro forma information of Studer Group is not available as of the date of these financial statements.

We have not yet completed a valuation of the assets acquired and liabilities assumed in either acquisition.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

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

**Market Risk and Interest Rate Risk**

The value of the Convertible Notes is exposed to interest rate risk. Generally, the fair value of our fixed interest rate Convertible Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of our Convertible Notes is affected by our stock price. The remaining carrying value of our Convertible Notes was \$212.9 million as of December 31, 2014, which represents the liability component of the \$250 million principal balance. The total estimated fair value of our Convertible Notes at December 31, 2014 was \$261.9 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 year ended December 31, 2014, which was \$104.761 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 the LIBOR, Federal Funds Rate, Prime Rate, or Eurodollar Rate. At December 31, 2014, we had borrowings outstanding under the credit facility totaling \$143.8 million that carried a weighted average interest rate of 2.3% including the effect of the interest rate swaps described below. A hypothetical 100 basis point change in this interest rate would have a \$0.3 million effect on our pretax income including the effect of the interest rate swaps.

On December 8, 2011, we entered into a forward amortizing interest rate swap agreement effective on February 29, 2012 and ending on April 14, 2016. We entered into this derivative instrument to hedge against the interest rate risks of

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our variable-rate borrowings described above. The swap had an initial notional amount of \$56.6 million and amortizes throughout the term. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 0.9875%.

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

On April 4, 2013, we entered into a forward amortizing interest rate swap agreement effective on March 31, 2014 and ending on August 31, 2017. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings described above. The swap has an initial notional amount of \$60.0 million and amortizes such that, collectively with our other two interest rate swaps, we are effectively fixing the interest rate on 80% of our Term Loan borrowings throughout the term of the swap agreement. Under the terms of the interest rate swap agreement, we will receive from the counterparty interest on the notional amount based on one-month LIBOR and we will pay to the counterparty a fixed rate of 0.985%.

Including the impact of the above swap agreements, the effective interest rate on \$115.0 million of our variable-rate debt, which equals the notional amount of the swap agreements in effect at December 31, 2014, was 2.4%.

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 December 31, 2014, the fair value of the investment was \$12.3 million, with a total cost basis of \$12.5 million.

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

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The Company's Consolidated Financial Statements and supplementary data begin on page F-1 of this Annual Report on Form 10-K.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. 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 December 31, 2014. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2014, 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.

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### **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) that occurred during the three months ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- (i) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the internal control over financial reporting as of December 31, 2014 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in *Internal Control - Integrated Framework (2013)*. As a result of that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2014. The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on page F-2 of this Annual Report on Form 10-K.

### **ITEM 9B. OTHER INFORMATION.**

None.

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PART III

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

**Directors, Executive Officers, Promoters and Control Persons**

The information required by this item is incorporated by reference from portions of our definitive proxy statement for our annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A by April 30, 2015 (the Proxy Statement ) under Nominees to Board of Directors, Directors Not Standing For Election and Executive Officers.

**Compliance with Section 16(a) of the Exchange Act**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under Section 16(a) Beneficial Ownership Reporting Compliance.

**Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics (the Code ) that is applicable to all of our employees, officers and directors. The Code is available on the Corporate Governance page of our website at [www.huronconsultinggroup.com](http://www.huronconsultinggroup.com). If we make any amendments to or grant any waivers from the Code which are required to be disclosed pursuant to the Securities Exchange Act of 1934, we will make such disclosures on our website.

**Corporate Governance**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under Board Meetings and Committees.

**ITEM 11. EXECUTIVE COMPENSATION.**

**Executive Compensation**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under Executive Compensation.

**Compensation Committee Interlocks and Insider Participation**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under Compensation Committee Interlocks and Insider Participation.

**Compensation Committee Report**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under Compensation Committee Report.



**Table of Contents****ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.****Securities Authorized for Issuance Under Equity Compensation Plans**

The following table summarizes information as of December 31, 2014 with respect to equity compensation plans approved by shareholders. We do not have equity compensation plans that have not been approved by shareholders.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance (excluding shares in 1 <sup>st</sup> column)
Equity compensation plans approved by shareholders <sup>(1)</sup> :			
2004 Omnibus Stock Plan	162,386	\$ 26.69	<sup>(2)</sup>
2012 Omnibus Incentive Plan	36,617	\$ 39.19	1,198,275
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
<b>Total</b>	<b>199,003</b>	<b>\$ 28.99</b>	<b>1,198,275</b>

(1) Our 2012 Omnibus Incentive Plan was approved by our shareholders at our annual meeting held on May 1, 2012, and an amendment to the 2012 Omnibus Incentive Plan to increase the number of shares reserved for issuance thereunder by 850,000 shares was approved by our shareholders at our annual meeting held on May 2, 2014. Our previous equity compensation plans were approved by the existing shareholders prior to our initial public offering.

(2) Upon adoption of the 2012 Omnibus Incentive Plan, we terminated the 2004 Omnibus Stock Plan with respect to future awards and no further awards will be granted under this plan.

**Security Ownership of Certain Beneficial Owners and Management**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under Stock Ownership of Certain Beneficial Owners and Management.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.****Certain Relationships and Related Transactions**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under Certain Relationships and Related Transactions.

**Director Independence**

The information required by this item is incorporated by reference from portions of the Proxy Statement under Nominees to Board of Directors, Directors Not Standing For Election, and Board Meetings and Committees.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under Audit and Non-Audit Fees.



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## PART IV

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.****(a) Documents filed as part of this Annual Report on Form 10-K.**

1. Financial Statements Our independent registered public accounting firm's report and our Consolidated Financial Statements are listed below and begin on page F-1 of this Form 10-K.

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Earnings and Other Comprehensive Income

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

2. Financial Statement Schedules The financial statement schedules required by this item are included in the Consolidated Financial Statements and accompanying notes.

3. Exhibit Index

Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Incorporated by Reference			
				Form	Period Ending	Exhibit	Filing Date
2.1	Agreement and Plan of Merger, dated as of January 26, 2015, by and among Huron Consulting Group Inc., Texas Acquisition Inc., Studer Holdings, Inc. and Fortis Advisors LLC, solely in the capacity as stockholders and optionholders representative thereunder.			8-K		2.1	2/13/15
3.1	Third Amended and Restated Certificate of Incorporation of Huron Consulting Group Inc.			10-K	12/31/04	3.1	2/16/05
3.2	Amended and Restated Bylaws of Huron Consulting Group Inc.			8-K		3.1	4/14/11
4.1	Specimen Stock Certificate.			S-1 (File No. 333-115434)		4.1	10/5/04
4.2	Indenture (including Form of Note) with respect to the Company's 1.25% Convertible Senior Notes due 2019, dated as of September 10, 2014, between Huron Consulting Group Inc. and U.S. Bank National Association, as trustee.			8-K		10.1	9/16/14
10.1	Office Lease, dated December 2003, between Union Tower, LLC and Huron Consulting Services LLC (formerly known as Huron Consulting Group LLC).			S-1		10.1	10/5/04

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(File No. 333-  
115434)  
S-8

10.2\* Amended and Restated Huron Consulting Group Inc. 2004  
Omnibus Stock Plan.

10.1 5/5/10

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Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Form	Incorporated by Reference		
					Period Ending	Exhibit	Filing Date
10.3	Amended and Restated Credit Agreement, dated as of April 14, 2011, among Huron Consulting Group Inc., as the Company, certain subsidiaries as Guarantors, the Lenders Party Hereto and Bank of America, N.A., as Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., as Syndication Agent, PNC Bank, Harris Bank and Key Bank National Association as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Book Managers.			8-K		10.1	4/19/11
10.4*	Huron Consulting Group Inc. Deferred Compensation Plan as Amended and Restated effective January 1, 2009.			10-K	12/31/08	10.12	2/24/09
10.5*	Amended and Restated Senior Management Agreement by and between Huron Consulting Group Inc. and James H. Roth.			8-K		10.1	1/14/10
10.6*	Senior Management Agreement by and between Huron Consulting Group Inc. and Diane Ratekin.			8-K		10.1	3/22/11
10.7*	Senior Management Agreement by and between Huron Consulting Group Inc. and C. Mark Hussey.			8-K		10.1	7/19/11
10.8	Amended and Restated Security Agreement, dated as of April 14, 2011.			8-K		10.2	4/19/11
10.9	Amended and Restated Pledge Agreement, dated as of April 14, 2011.			8-K		10.3	4/19/11
10.10*	Huron Consulting Group Inc. 2012 Omnibus Incentive Plan, as amended and restated.			DEF 14A		Appendix A	3/24/14
10.11	Amendment No. 1 to the Credit Agreement, dated as of August 31, 2012, by and among Huron Consulting Group Inc., as the Borrower, certain subsidiaries as Guarantors, the Lenders identified on the signature pages thereto, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders.			8-K		10.1	9/4/12
10.12	Joinder Agreement, dated as of August 20, 2012, by and between LegalSource LLC and Bank of America, N.A., as Administrative Agent and Collateral Agent under the Amended and Restated Credit Agreement dated as of April 14, 2011 among Huron Consulting Group Inc., as Borrower, the Guarantors identified therein, the Lenders identified therein and Bank of America, N.A. as Administrative Agent and Collateral Agent.			8-K		10.2	9/4/12

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Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Incorporated by Reference			
				Form	Period Ending	Exhibit	Filing Date
10.13	First Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated August 23, 2004.			10-K	12/31/12	10.17	2/21/13
10.14	Second Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated March 14, 2007.			10-K	12/31/12	10.18	2/21/13
10.15	Third Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated April 2, 2010.			10-K	12/31/12	10.19	2/21/13
10.16	Fourth Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated December 31, 2012.			8-K		10.1	1/4/13
10.17*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Restricted Stock Agreement.			10-K	12/31/12	10.20	2/21/13
10.18	Amendment No. 2 to the Credit Agreement, dated as of September 25, 2013, by and among Huron Consulting Group Inc., as the Borrower, certain subsidiaries as Guarantors, the Lenders identified on the signature pages thereto, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders.			8-K		10.1	09/26/13
10.19	Amendment No. 3 to the Credit Agreement, dated as of February 14, 2014, by and among Huron Consulting Group Inc., as the Borrower, certain subsidiaries as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders.			10-K	12/31/13	10.20	2/26/14
10.20	Amendment No. 4 to the Credit Agreement, dated as of June 27, 2014, by and among Huron Consulting Group Inc., as the Borrower, certain subsidiaries as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders.			10-Q	6/30/13	10.1	7/30/14
10.21	Amendment No. 5 to the Credit Agreement, dated as of September 3, 2014, by and among Huron Consulting Group Inc., as the Borrower, certain subsidiaries as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders.			8-K		10.1	9/3/14
10.22	Purchase Agreement, dated as of September 4, 2014, between Huron Consulting Group Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as Representatives of the several Initial Purchasers.			8-K		10.1	9/5/14

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Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Form	Incorporated by Reference		
					Period Ending	Exhibit	Filing Date
10.23	Base Convertible Bond Hedge Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A.			8-K		10.2	9/5/14
10.24	Base Convertible Bond Hedge Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch.			8-K		10.3	9/5/14
10.25	Base Issuer Warrant Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A.			8-K		10.4	9/5/14
10.26	Base Issuer Warrant Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch.			8-K		10.5	9/5/14
10.27	Additional Convertible Bond Hedge Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A.			8-K		10.1	9/16/14
10.28	Additional Convertible Bond Hedge Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch.			8-K		10.2	9/16/14
10.29	Additional Issuer Warrant Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A.			8-K		10.3	9/16/14
10.30	Additional Issuer Warrant Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch.			8-K		10.4	9/16/14
10.31*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Restricted Stock Agreement (Stock Ownership Participation Program).	X					
10.32*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Performance Stock Unit Agreement.	X					

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Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Form	Incorporated by Reference		
					Period Ending	Exhibit	Filing Date
10.33*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Stock Option Agreement.	X					
10.34*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan NEO Performance Stock Unit Agreement.	X					
21.1	List of Subsidiaries of Huron Consulting Group Inc.	X					
23.1	Consent of PricewaterhouseCoopers LLP.	X					
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X					
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X					
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X				
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X				
101.INS	XBRL Instance Document.	X					
101.SCH	XBRL Taxonomy Extension Schema Document.	X					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	X					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	X					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	X					

\* Indicates the exhibit is a management contract or compensatory plan or arrangement.



**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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)

Signature	Title	Date
/s/ James H. Roth James H. Roth	President, Chief Executive Officer and Director	February 24, 2015

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James H. Roth, C. Mark Hussey, and Diane Ratekin, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all and any other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title	Date
/s/ JAMES H. ROTH James H. Roth	President, Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	February 24, 2015
/s/ JOHN F. McCARTNEY John F. McCartney	Non-Executive Chairman of the Board	February 24, 2015
/s/ GEORGE E. MASSARO George E. Massaro	Vice Chairman of the Board	February 24, 2015
/s/ C. MARK HUSSEY C. Mark Hussey	Executive Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer <i>(Principal Financial Officer)</i>	February 24, 2015
/s/ JOHN D. KELLY John D. Kelly	Chief Accounting Officer and Assistant Treasurer <i>(Principal Accounting Officer)</i>	February 24, 2015
/s/ DuBOSE AUSLEY	Director	February 24, 2015

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DuBose Ausley

/s/ JAMES D. EDWARDS Director February 24, 2015

James D. Edwards

/s/ H. EUGENE LOCKHART Director February 24, 2015

H. Eugene Lockhart

/s/ JOHN S. MOODY Director February 24, 2015

John S. Moody

/s/ DEBRA ZUMWALT Director February 24, 2015

Debra Zumwalt

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**HURON CONSULTING GROUP INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Huron Consulting Group Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings and other comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Huron Consulting Group Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Chicago, IL

February 24, 2015

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HURON CONSULTING GROUP INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	December 31, 2014	December 31, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 256,872	\$ 58,131
Receivables from clients, net	98,640	123,750
Unbilled services, net	91,392	55,125
Income tax receivable	8,125	270
Deferred income taxes, net	14,772	15,498
Prepaid expenses and other current assets	16,358	19,740
<b>Total current assets</b>	<b>486,159</b>	<b>272,514</b>
Property and equipment, net	44,677	38,742
Long-term investment	12,250	
Other non-current assets	20,998	16,485
Intangible assets, net	24,684	21,222
Goodwill	567,146	536,637
<b>Total assets</b>	<b>\$ 1,155,914</b>	<b>\$ 885,600</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 11,085	\$ 8,185
Accrued expenses	17,089	19,180
Accrued payroll and related benefits	106,488	97,677
Current maturities of long-term debt	28,750	25,000
Accrued consideration for business acquisitions	226	5,177
Income tax payable		