

Huron Consulting Group Inc.  
Form 10-K  
February 23, 2012  
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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, 2011

OR

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

EXCHANGE ACT OF 1934

Commission file number: 000-50976

HURON CONSULTING GROUP INC.

(Exact name of registrant as specified in its charter)

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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	The NASDAQ Stock Market, Inc. (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, 2011 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$665,200,000.

As of February 14, 2012, 22,555,576 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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ANNUAL REPORT ON FORM 10-K  
FOR FISCAL YEAR ENDED DECEMBER 31, 2011

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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, including the information incorporated by reference herein, 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, meet, intends, might, predicts, seeks, would, believes, estimates or continues. Risks, uncertainties and assumptions that could impact the forward-looking statements relate, among other things, to (i) the restatement, (ii) the Securities and Exchange Commission investigation with respect to the restatement and the related purported derivative lawsuit, and (iii) the request by the United States Attorney's Office for the Northern District of Illinois for certain documents. In addition, these forward-looking statements reflect our current expectation about our future requirements and needs, results, levels of activity, performance, or achievements, including, without limitation, that our business continues to grow at the current expectations with respect to, among other factors, utilization rates, billing rates, and the number of revenue-generating professionals; that we are able to expand our service offerings; that we successfully integrate the businesses we acquire; and that existing market conditions continue to trend upward. These 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.

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

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 1,992 as of December 31, 2011, through hiring and acquisitions of complementary businesses. Our significant acquisitions have included Stockamp & Associates, Inc. (Stockamp) 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 across the Health and, Education, Legal and Financial industries. As of December 31, 2011, we had 114 managing directors who have revenue-generating responsibilities. These individuals have an average of 26 years of business experience. In addition to our full-time employees, we have a roster of consultants, contract reviewers, and other independent contractors who supplement our full-time revenue-generating employees on an as-needed basis.

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Our headquarters are located in Chicago, Illinois, and we have other domestic and international offices, including those located in the following major metropolitan cities: Atlanta, Georgia; Boston, Massachusetts; Houston, Texas; London, United Kingdom; New York, New York; Portland, Oregon; San Diego, California; and Washington, D.C. We also have nine document review centers located in Chicago, Illinois; Gurgaon, India; Houston, Texas; London, United Kingdom; Miramar, Florida; Morrisville, North Carolina; New York, New York; Charlotte, North Carolina; and Washington, D.C., totaling approximately 1,100 workstations.

## **OUR SERVICES**

We are a leading provider of operational and financial consulting services. We help clients in diverse industries improve performance, comply with complex regulations, reduce costs, recover from distress, leverage technology, and stimulate growth. We team with our clients to deliver sustainable and measurable results.

We provide our services through three operating segments: Health and Education Consulting, Legal Consulting and Financial Consulting. For the year ended December 31, 2011, we derived 66.9%, 28.4% and 4.7% of our revenues from Health and Education Consulting, Legal Consulting and Financial Consulting, 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 19 Segment Information under Part II Item 8. Financial Statements and Supplementary Data.

### **Health and Education Consulting**

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

This segment's practices include:

**Healthcare.** Our healthcare practice provides integrated performance solutions for hospitals, health systems and academic medical centers. We partner with clients to deliver improvements to the bottom line by increasing revenues and the effectiveness of operations, including: (i) improving patient flow, utilization of technology, quality of care and patient satisfaction; (ii) reducing labor and non-labor costs and systemic inefficiencies; (iii) enhancing leadership and governance to promote transparency and employee satisfaction; and (iv) ensuring compliance with legislation and regulations in a rapidly-evolving healthcare environment.

**Higher Education.** Our higher education professionals have extensive industry knowledge and experience working with institutions on mission-critical business issues relating to the financial, operational, and regulatory aspects of higher education to develop and implement the most effective solutions. We provide comprehensive and customized service offerings in every aspect of higher education and healthcare administration to improve business performance across the entire organization. We serve research universities, academic medical centers, colleges and universities, research institutions, and international organizations. Our primary service areas include financial management and strategy, resource optimization, strategic sourcing and procurement transformation, performance improvement, interim staffing support, information technology planning and integration, risk management and regulatory compliance, research administration and technology supporting research administration, and global health and education.

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Life Sciences. Our life sciences practice works with organizations to optimize performance, improve operations, mitigate risk, manage compliance, and support counsel in regulatory investigations. Our services to pharmaceutical and medical device companies include government price reporting and commercial contracting, corporate integrity agreements, medical affairs and clinical activities, regulatory and compliance services, off-label communication, sales and marketing compliance, and aggregate spend reporting. In addition, this practice helps clients assess and enhance their compliance and quality programs by conducting investigations and compliance effectiveness assessments, and providing expert testimony, compliance infrastructure redesign, and billing and coding compliance assessments. This practice also specializes in clinical research operational assessments, including clinical research billing and human research protections compliance, conflicts of interest, and other related research services.

### **Legal Consulting**

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

This segment's services include:

Legal advisory business. Our legal advisory practice helps both in-house legal departments and outside counsel enhance the quality of legal services while reducing costs by more efficiently aligning strategy, people, processes, and technology. We provide strategic advice to help legal departments and law firms improve their organizational design and business processes, and to help management in their use of outside counsel. We also have extensive experience in selecting, customizing, and successfully rolling out matter management systems and electronic billing systems that help legal departments track and manage lawsuits and other legal matters. These systems are powerful tools for managing budgets, spending, and resources. We provide similar services for contract management systems, document management systems and systems for managing patent applications.

Discovery and records management. We work with corporations and law firms to provide solutions to enhance their discovery process management and electronic discovery needs. One area of emphasis is helping clients choose and implement technology solutions that improve legal department operations, including litigation preparedness and litigation holds. We provide a full array of digital evidence, discovery, and records management services that include discovery process execution, electronic discovery services, computer forensics, data management, document processing, document review, records program development, records improvement planning and process, and program management, all aimed at reducing costs, coordinating matters and people, streamlining processes and reducing risks. With our V3locity® offering, we provide comprehensive e-discovery services, including processing, hosting, review and production, for legal matters using a per unit fixed price model. With our state-of-the-art facilities, we blend technology and an integrated process to ensure a work product that outperforms more traditional methods.

### **Financial Consulting**

Our Financial Consulting segment provides financial advisory, interim management and operational consulting services to companies including companies in transition, creditor constituencies, and other stakeholders in connection with out-of-court restructurings and bankruptcy proceedings. For companies in financial distress, we work with management to assess the viability of their business, to develop and implement a turnaround plan to improve cash flow, and to implement a debt-restructuring plan to improve the balance sheet. In some instances, we serve in interim management roles. When out-of-court solutions are not achievable, we assist clients in preparing for Chapter 11 bankruptcy filings and with all aspects of the bankruptcy process by gathering, analyzing, and presenting financial and business information needed to

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achieve successful reorganizations. We also provide claims management services to help companies process and analyze complex and voluminous claims filed in bankruptcies and related litigation matters. We have an array of services that are flexible and responsive to event- and transaction-based needs across industries. Our professionals consist of certified public accountants, certified insolvency and restructuring advisors, certified turnaround professionals, MBAs, JDs and chartered financial analysts as well as former chief restructuring officers, chief executive officers, chief financial officers and board of directors members.

## **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, governmental entities, Fortune 500 companies, medium-sized businesses, and the law firms that represent these various organizations. In 2011, we served 813 clients, including 196 new clients. Our top ten clients represented approximately 33.9%, 32.1%, and 30.7% of our revenues in the years ended December 31, 2011, 2010 and 2009, respectively. No single client accounted for more than 10% of our revenues in 2011, 2010 or 2009.

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, energy and utilities and industrial manufacturing. We believe organizations will continue to face complex challenges in the current economic environment. Moreover, greater competition and regulation, particularly as a result of healthcare reform, will present significant operational and financial challenges for organizations in a variety of industries. 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. Many 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 such as us.

## **EMPLOYEES**

Our ability to bring the right expertise together to address client issues requires a willingness to work and think outside the bounds of a single practice or specialty. Our success depends on our ability to attract and retain highly talented professionals by creating a work environment where both individuals 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 those goals and recognize superior performance, we have adopted a comprehensive rewards program incorporating compensation incentives, training and development opportunities and interactive performance management.

As of December 31, 2011, we had 1,992 full-time employees, including 114 revenue-generating managing directors and 15 non-revenue-generating managing directors and corporate vice presidents, as well as directors, managers, associates, analysts and assistants. Our revenue-generating managing directors serve clients as advisors and engagement team leaders and originate revenue by developing new and existing client relationships, and work to strengthen our intellectual capital, develop our people and enhance our reputation. Our revenue-generating directors and managers manage day-to-day client relationships and oversee the delivery and overall quality of our work product. Our revenue-generating 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 non-revenue-generating employees include our senior management team and the professionals who work in our facilities, finance, human resources, information technology, legal and marketing departments.

In addition to our full-time employees, we have project consultants, contract reviewers and other independent contractors who supplement our full-time revenue-generating employees on an as-needed 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 independent contractors and project consultants allows us to maintain a pool of talent with a variable cost structure and enables us to adapt quickly to market demand.



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We support our employees' career progression through established training and development programs. We have structured orientation and training programs for new analysts and milestone programs to help recently promoted employees quickly to become effective in new roles of higher responsibility. In addition to milestone programs, we now offer a variety of leadership development programs for those we deem capable of taking on higher levels of responsibility. We provide a variety of continuing education opportunities to our employees, including formal classroom environments, on-line courses, or a combination of both, in order for our employees to develop their technical knowledge and their ability to work cooperatively and coach and mentor 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 personal development goals, including identifying opportunities for professional development, formal training, and technical skill certifications.

Our compensation plan includes competitive base salary, performance incentives and benefits. Under our performance management plan, directors, managers, associates and analysts set goals each year with a performance coach. These goals are aligned with our corporate business goals as well as individual interests and development needs. Managing directors set goals with their executive performance coach using a balanced scorecard. The incentive compensation plan balances our value of teamwork with recognition of individual performance. Our incentive compensation is tied to both team and individual performance. Incentives for managing directors are based on their individual performance and contribution to their teams, their practice and our business as a whole. Funding of the incentive pool is based on our achievement of annual corporate financial goals and the relevant practice's achievement of its financial goals. In 2010 we implemented a new managing director compensation plan to attract and retain senior practitioners. It incorporates targeted compensation levels based on performance with equity as a core component of compensation for every managing director in order to encourage retention, align the interests of our managing directors with shareholders and help managing directors build wealth over time. The managing director compensation plan is integrated with our performance management process and continues to rely on a balanced scorecard approach to set performance expectations and accountabilities.

## **BUSINESS DEVELOPMENT AND MARKETING**

Our business development activities are aimed at developing relationships and building a strong brand reputation with key sources of business and referrals, especially hospital 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 healthcare organizations, 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 expertise in the industry. For example, during 2011, we hosted such events as the 2011 CEO Forum Guiding the Healthcare Enterprise Through Unprecedented Change, multiple webinars on Clinical Research Management, Cost Savings in E-Discovery roundtables produced through The Huron Legal Institute, as well as 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), Association of Corporate Counsel (ACC), Turnaround Management Association (TMA), Health Care Compliance Association (HCCA), Center for Business

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Intelligence (CBI), The Health Management Academy, and the Healthcare Financial Management Association (HFMA). 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 conferences, management of advertising campaigns, development of case studies, and publication of articles in industry publications to actively promote our name and capabilities. The marketing department also manages the content delivery on Huron's website, develops collateral materials, performs research and provides 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 the types of services we offer address. Many of our competitors have a greater geographic footprint, including a broader international presence and name recognition, as well as have significantly greater personnel, financial, technical and marketing resources than we do. We believe that our experience, reputation, industry focus, and a broad 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.

On August 17, 2009, we restated our financial statements for the years ended 2006, 2007 and 2008 and the first quarter of 2009. Thereafter, the SEC commenced an investigation into the facts and circumstances of the restatement, the United States Attorney's Office for the Northern District of Illinois ( USAO ) requested certain documents related to the restatement and private plaintiffs brought a purported shareholder class action litigation, which has now been settled, and derivative litigation with respect to the restatement (the restatement matters ). The remaining restatement matters, together with the reputational issues raised by the restatement, could have a material adverse effect on our business, prospects, cash flow, overall liquidity, results of operations or financial condition.

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We restated certain of our previously-issued financial statements to correct our accounting for certain acquisition-related payments received by the selling shareholders of specific businesses we acquired that were subsequently redistributed by the selling shareholders among themselves and to other select Company employees. The restatement and the restatement matters have raised reputational issues for our businesses and may adversely impact our ability to:

retain our senior management team, our practice leaders and our other managing directors;

hire and retain talented people in an industry where there is great competition for talent;

maintain our existing business practices and revenues given our clients' ability to terminate their engagement agreements with little or no notice and without penalty;

attract new business in the highly competitive consulting services industry; and

continue our growth strategy by hiring individuals or groups of individuals and by acquiring complementary businesses.

The SEC is conducting an investigation with respect to the restatement. In addition, as often happens in these circumstances, shortly after the filing of our restated financial statements in 2009, the USAO contacted our counsel and made a telephonic request for copies of certain documents that we previously had provided to the SEC, which we then voluntarily provided to the USAO. We have been cooperating fully with the investigation and are currently engaged in discussions with the SEC about a potential settlement. In the fourth quarter of 2011, we recorded a charge of \$1.0 million with respect to this matter. While an agreement has not been reached with the SEC, the Company believes that any resolution would include monetary penalties and other relief within the SEC's authority. There can be no assurance that we will be able to reach a settlement with the SEC or that the amount of monetary penalties agreed in any settlement will not exceed the accrued amount, perhaps materially. We also cannot provide assurance with respect to the other terms and conditions of any potential settlement.

Certain of our former employees have received Wells notices from the SEC staff in connection with the matters underlying the restatement. Wells notices typically indicate that the staff is considering recommending that the SEC bring a civil enforcement action. Under the SEC's procedures, a recipient of a Wells notice has an opportunity to respond in the form of a written submission that seeks to persuade the SEC that such an action should not be brought. Each of the former employees has advised the Company that they intend to make such a submission. We are obligated to indemnify the former employees for their defense costs in connection with responding to the Wells notices and in connection with the defense of civil enforcement actions, if any, brought by the SEC against them, subject to certain limitations. We expect that our indemnity obligations to the recipients will be material in the first half of 2012 and may be material until resolution of the restatement matters.

Further, several purported private shareholder class action lawsuits and federal and state derivative lawsuits have been filed in respect of the restatement. The purported class action lawsuits have been settled and the federal derivative lawsuits have been dismissed with prejudice and can no longer be appealed. The state derivative lawsuits, which have been consolidated, were dismissed by the court with prejudice last year but the plaintiffs have filed a notice of appeal which remains outstanding.

The settlement of the purported class action received final approval from the court and the case was terminated on May 6, 2011. Pursuant to the settlement, plaintiffs received total consideration of approximately \$39.6 million, comprised of \$27.0 million in cash and the issuance by the Company of 474,547 shares of our common stock. The cash portion of the consideration was funded in its entirety by our insurance carriers. The total amount of insurance coverage under the related policy was \$35.0 million, and the insurers had previously paid out approximately \$8.0 million in claims prior to the final \$27.0 million payment in the settlement. As a result of the final payment by the insurance carriers, we will not receive any further contributions from our insurance carriers for the reimbursement of legal fees expended on the remaining restatement matters.

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While we are fully cooperating with the SEC in its investigation with respect to the restatement, have voluntarily provided to the USAO the requested documents, and intend to vigorously defend the remaining derivative lawsuit, these remaining restatement matters subject us to a number of additional risks, including:

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

increased costs and expenses to address the remaining restatement matters, including indemnity obligations to our former employees with respect to these matters and the imposition of fines, penalties, damages, administrative remedies and liabilities for additional amounts resulting from actions or findings by the SEC or the USAO or pursuant to rulings, orders or judgments by the courts with jurisdiction over the remaining derivative lawsuit, none of which will be covered by our insurance carriers; and

additional damage to our reputation as these matters are concluded that may further heighten the risks described above.

Given the uncertain nature of the remaining restatement matters and the uncertainties related to the incurrence and amount of loss, including with respect to the imposition of fines, penalties, damages, administrative remedies and liabilities for additional amounts, with respect to the remaining restatement matters, we are unable to predict the ultimate outcome of the remaining restatement matters, determine whether any additional liability other than those described above has been incurred or make a reasonable estimate of the liability in excess of the accrual as of December 31, 2011 that could result from an unfavorable outcome in the remaining restatement matters. Any such additional liability could be material.

The failure to successfully address any one or more of these risks could have a material adverse effect on our business, prospects, cash flow, overall liquidity, results of operations and/or financial condition.

### **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 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

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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, accounting firms and technical and economic advisory 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 promise we previously expected. For example, effective December 31, 2009, we disposed of our strategy business, in the second quarter of 2010 we wound down our Japan operations, in the third quarter of 2010 we exited the Disputes and Investigations practice and Utilities Consulting practice, and in the fourth quarter of 2011 we disposed of our Accounting Advisory practice. 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 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;

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

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;

a decision not to fully integrate an acquired business may lead to the perception of inequalities if different groups of employees are eligible for different benefits and incentives or are subject to different policies and programs;

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; and

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the adverse short-term effects on reported operating results from the amortization or write-off of acquired goodwill and other intangible assets.

Moreover, 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.

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

We have grown significantly since we commenced operations, increasing the number of our full-time professionals from 249 as of May 31, 2002 to 1,990 as of December 31, 2011. Additionally, our considerable growth and the circumstances of the restatement have placed 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 and respond to the events described above, 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.

### **Our business is becoming increasingly dependent on information technology and will require additional investments in order to grow and implement redundancies necessary to prevent service interruption.**

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. One of our service lines has made and expects to continue to make investments in technology-driven businesses that complement its service offerings. 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.

Additionally, 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, which may produce service interruptions that in turn result in loss or liability to us. The Company will need to continue to invest in technology in order to meet the developing demands of our clients and achieve redundancies necessary to prevent service interruptions.

### **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 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.

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### **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 customers;

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;

different regulatory requirements and other barriers to conducting business;

different or less stable political and economic environments;

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

civil disturbances or other catastrophic events.

Further, conducting business abroad subjects us to increased regulatory compliance and oversight, in particular with respect to operations in the Middle East. A failure to comply with applicable regulations could result in substantial penalties assessed against the Company and our employees. Political turmoil could affect the physical security of our employees working in a troubled country.

**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 (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



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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 on 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.

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### **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 could adversely affect our financial results.**

At December 31, 2011, we had outstanding borrowings totaling \$193.5 million compared to \$257.0 million at December 31, 2010. Our indebtedness could have meaningful consequences for us, including:

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

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

limiting our ability to obtain additional financing.

### **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

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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;

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

introduction of new services by us or our competitors;

our competition and the pricing policies of our competitors; and