

Huron Consulting Group Inc.
Form 10-K
February 23, 2016
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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, 2015

OR

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

Commission file number: 000-50976

HURON CONSULTING GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

550 West Van Buren Street

Chicago, Illinois 60607

(Address of principal executive offices 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

Common Stock, par value \$0.01 per share

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, 2015 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$1,579,300,000. As of February 16, 2016, 21,554,771 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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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,” “seeks,” “would,” “estimates,” “plans,” “continues,” or “outlook” or similar expressions. These forward-looking statements reflect our current expectation about our future requirements and needs, results, levels of activity, performance, or achievements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: failure to achieve expected utilization rates, billing rates, and the number of revenue-generating professionals; inability to expand or adjust our service offerings in response to market demands; our dependence on renewal of client-based services; dependence on new business and retention of current clients and qualified personnel; failure to maintain third-party provider relationships and strategic alliances; inability to license technology to and from third parties; the impairment of goodwill; various factors related to income and other taxes; difficulties in successfully integrating the businesses we acquire and achieving expected benefits from such acquisitions; risks relating to privacy, information security, and related laws and standards; and a general downturn in market conditions. These forward-looking statements involve known and unknown risks, uncertainties and other factors, including, among others, those described under Item 1A. “Risk Factors,” 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

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

Since our founding in 2002, we have grown significantly; we have increased the number of full-time employees from 249 in 2002 to 2,671 as of December 31, 2015, through hiring and acquisitions of complementary and strategic businesses. Our recent acquisitions include Studer Group, Rittman Mead India, and Cloud62 in 2015; Threshold Consulting, Vonlay, and The Frankel Group in 2014; and Blue Stone International in 2013.

We have hired experienced professionals, many of whom are recognized as experts in their fields, from such organizations as the four largest public accounting firms, referred to as the Big Four, and other consulting firms. As of December 31, 2015, we had 124 client-serving managing directors. These individuals have an average of 26 years of business experience.

Our headquarters are located in Chicago, Illinois; other domestic and international offices include Atlanta, Georgia; Boston, Massachusetts; Buffalo, New York; Dallas, Texas; Detroit, Michigan; Houston, Texas; Madison, Wisconsin; New York City, New York; Pensacola, Florida; Portland, Oregon; San Francisco, California; Washington, D.C.; Bangalore, India; and Toronto, Canada.

2015 Acquisitions

Studer Group

On February 12, 2015, we completed our acquisition of Studer Holdings, Inc. ("Studer Group"), a premier professional services firm that assists healthcare providers achieve cultural transformation to deliver and sustain improvement in clinical outcomes and financial results. The acquisition leverages the Huron Healthcare segment's performance improvement and clinical transformation capabilities with Studer Group's Evidence-Based LeadershipSM framework to provide leadership and cultural transformation expertise for healthcare provider clients. We completed the acquisition in exchange for consideration with a fair value of approximately \$325.2 million, consisting of \$323.2 million in cash and \$2.2 million in Huron common stock, less the receipt of a net working capital adjustment payment of \$0.2 million. The results of operations of Studer Group have been included in our consolidated financial statements and the segment operating results of Huron

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Healthcare from the date of acquisition. See Note 4 “Acquisitions” within our consolidated financial statements for further information regarding the Studer Group acquisition.

Rittman Mead India

Effective July 1, 2015, we completed our acquisition of Rittman Mead Consulting Private Limited (“Rittman Mead India”), the India affiliate of Rittman Mead Consulting Ltd. Rittman Mead India is a data and analytics consulting firm that specializes in the implementation of enterprise performance management and analytics systems. The results of operations of Rittman Mead India have been included in our consolidated financial statements and the segment operating results of Huron Business Advisory from the date of acquisition.

Cloud62

On October 1, 2015, we completed our acquisition of Cloud62, Inc., a Buffalo, New York-based provider of business consulting services specializing in Salesforce.com implementations and related cloud-based applications. The results of operations of Cloud62 have been included in our consolidated financial statements and the segment operating results of Huron Business Advisory from the date of acquisition.

See Note 4 “Acquisitions” within our consolidated financial statements for further information regarding our recent acquisitions.

2015 Divestiture

Huron Legal

On December 31, 2015, we completed our divestiture of the Huron Legal segment to Consilio, Inc. for net proceeds of \$110.1 million. Huron Legal provides eDiscovery services, consulting services and contract management services related to law department management, information governance and compliance, legal discovery, litigation management, and legal analytics to legal departments, law firms and companies in connection with their eDiscovery, law department operations and contract and litigation management needs. All of the operations of our Huron Legal segment have been reclassified as discontinued operations in our consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 and as of December 31, 2015 and 2014, and unless indicated otherwise, the information included within this Annual Report on Form 10-K relates to our continuing operations. See Note 3 “Discontinued Operations” within our consolidated financial statements for further information regarding the Huron Legal divestiture.

OUR SERVICES

We provide professional services through four operating segments: Huron Healthcare, Huron Education and Life Sciences, Huron Business Advisory and All Other. For the year ended December 31, 2015, we derived 64%, 24%, and 12% of our revenues from Huron Healthcare, 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 18 “Segment Information” within the notes to our consolidated financial statements.

Huron Healthcare

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

This segment’s primary service lines include:

Revenue cycle solutions. Our revenue cycle solutions are designed to optimize performance and deliver sustainable revenue cycle improvement and a predictable revenue stream, 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. Our technology-enabled solutions help clients optimize investments in financial and support systems, and integrate

information with work flow to enable high performance organizations.

Cost and clinical solutions. Our cost and clinical solutions focus on providing a systematic and comprehensive approach to help clients reduce costs across the enterprise while optimizing clinical performance, improving quality and outcomes, and achieving staff alignment across the continuum of care. We help clients improve clinical and administrative operations across inpatient, perioperative, emergency, and outpatient settings as well as physician practices through strategic advisory, consulting, and technology-enabled services. We help clients establish operational and data-enabled clinical transformation, scale and integration improvements, and operational excellence. By fully aligning goals and incentives, we help clients drive efficiency and quality across the clinical and administrative enterprises to improve quality outcomes, reduce costs, and improve patient and staff satisfaction.

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Studer Group. Studer Group® works with healthcare organizations primarily in the United States and Canada to build a sustainable culture that promotes accountability and fosters innovation. Through the use of coaching partnerships, software accelerators, and leadership conferences, Studer Group partners with organizations to help them achieve and sustain exceptional improvement in clinical outcomes and financial results.

Huron Education and Life Sciences

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

This segment's primary service lines include:

Higher Education. Our higher education professionals have extensive experience working with colleges and universities on complex strategic, financial, operational, and technology issues. Our strategy and operations solutions assist institutions of higher education align their missions and strategic priorities with their operations to improve quality and reduce costs across the organization. Our strategy and operations solutions include enrollment management, student lifecycle management, financial management, and performance improvement services. To support an institution's technology, data, and analytics strategy, our technology professionals provide services in enterprise systems planning, design and implementation, IT strategy, and governance and research software products and implementation services. Our research solutions, including operational, compliance, and cost reimbursement, assist our clients as they face immense regulatory and cost and reimbursement pressure in their research organizations.

Life Sciences. Our Life Sciences practice brings together a highly skilled team of professionals focused on helping companies, from large pharmaceuticals to newly formed biotechs, to drive measurable value and comply with government regulations. We provide clients with integrated solutions across the life sciences value chain in the areas of corporate and financial strategy, compliance and operations, reimbursement and access strategy, commercial segmentation, lifecycle management and R&D and product strategy. We assist companies in complying with government regulations including fair market value analysis, litigation and investigations, and auditing and monitoring. In addition, we advise companies on commercial contracting strategies, government pricing and transparency reporting, data strategy and analytics, and overall business process improvement.

Huron Business Advisory

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

This segment's primary service lines include:

Business Advisory. Our Business Advisory practice resolves complex business issues and enhances client enterprise value through a suite of services including capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory. We improve operations or capital structures for businesses performing at less than optimal levels, assess the short-term and long-term prospects of potential acquisition and divestiture opportunities, and provide independent valuation and consulting services to assist clients in making informed decisions for transaction, tax, or litigation purposes. Securities transactions are provided by our registered broker-dealer Huron Transaction Advisory LLC, a member of FINRA.

Enterprise Performance Management and Analytics. Our Enterprise Performance Management and Analytics professionals deliver solutions that enable organizations to manage and optimize their financial performance, operational efficiency, and client experience. With expertise in full-service enterprise performance management (EPM), business analytics, customer relationship management (CRM), and big data professional services, Huron's global presence and remote delivery capabilities help clients drive results and gain a competitive advantage. Our comprehensive offerings include organizational improvements and technology 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 three operating segments. These businesses include our public sector consulting practice and our foreign consulting operations based in the Middle East, both of which we wound down in 2015.

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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, and governmental entities. We have worked with more than 450 health systems, hospitals, and academic medical centers and more than 400 universities and research institutions. In 2015, we served over 800 clients, including over 200 new clients. Our top ten clients represented approximately 29.9%, 31.5%, and 36.7% of our revenues in the years ended December 31, 2015, 2014, and 2013, 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.

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 and inclusion council. Our employee population is divided into two groups; client-serving and service and support. As of December 31, 2015, we had 2,671 full-time employees, including 124 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 who provide sales support, methodology creation, software development, and corporate functions consisting of our facilities, finance and accounting, human resources, information technology, legal, and marketing teams. These employees provide strategic direction and support that enables the success of our client-serving employees. At December 31, 2015, this population contained 18 managing directors, executives, and corporate vice presidents.

In addition to our full-time employees, we engage 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. 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 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

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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 salary 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 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 and 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 and marketing activities are aimed at cultivating relationships, driving demand, generating leads and building a strong brand reputation with hospital, health system, and university administrators, and the offices of the C-suite of middle market and large corporate 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.

Currently, 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, and corporations. 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. In addition, to complement the business development efforts of our managing directors, we have dedicated business development professionals who are focused exclusively on developing client relationships and generating new business.

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 strategy, business operations, technology, 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 and technology providers in all of our segments. Our competitors often vary, depending on the particular practice area. We expect to continue to face competition from new entrants.

We believe the principal competitive factors in our market include reputation, the ability to attract and retain top talent, and the capacity to manage engagements effectively to drive high value to clients. There is also competition on price, although to a lesser extent due to the criticality of the issues that many of our services address. Our competitors may have a greater geographic footprint, a broader international presence, and more resources than we do, but we believe that our industry experience and reputation, ability to deliver meaningful client results, and balanced portfolio

of services enable us to compete favorably 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, 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, D.C. 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.

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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 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;

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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 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. 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. Dispositions 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. Dispositions may also involve continued financial involvement, as we may be required to retain responsibility for, or agree to indemnify buyers against, liabilities related to a business sold. For example, in connection with the sale of our Huron Legal segment to Consilio, Inc., which was completed on December 31, 2015, we have contractually agreed to indemnify the buyer against certain liabilities. 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.

We have grown significantly since we commenced operations and have increased the number of our full-time professionals from 249 in 2002 to 2,671 as of December 31, 2015. Additionally, our considerable growth has 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, 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.

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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 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;
- 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.

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

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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 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.

Fee discounts, pressure to not increase or even decrease our rates and less advantageous contract terms, could result in the loss of clients, lower revenues and operating income, higher costs and less profitable engagements. More discounts or write-offs than we expect in any period would have a negative impact on our results of operations.

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 acknowledgment 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, 2015, 2014, and 2013, was 8.7%, 17.2%, and 19.6%, 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.

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, 2015, 2014, and 2013, fixed-fee engagements represented 58.0%, 50.3%, and 48.5% of our revenues, respectively.

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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 provide implementation and consulting services for third-party software technology, has grown over the last few years. If third-party software technology that is important to our business does not continue to be available or utilized within the marketplace, certain services that we provide to clients may no longer be relevant in the marketplace, 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 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 and protected health information. 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, including the Health Insurance Portability and Accountability Act (HIPAA), and international laws such as the European Union Directive on Data Protection. In addition, many states, U.S. federal governmental authorities and non-U.S. jurisdictions have adopted, proposed or are considering adopting or proposing, additional data security and/or data privacy statutes or regulations. Continued governmental focus on data security and privacy may lead to additional legislative and regulatory action, which could increase the complexity of doing business. The increased emphasis on information security and the requirements to comply with applicable U.S. and foreign data security and privacy laws and regulations may increase our costs of doing business and negatively impact our results of operations.

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 Canada, Europe, Asia, and the Middle East. 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;

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- 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;
- 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 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. 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 Amended 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 March 31, 2015, we entered into a second amended and restated security agreement with Bank of America (the “Security Agreement”) and a second amended and restated pledge agreement (the “Pledge Agreement”) in connection with our entry into the Second Amended and Restated Credit Agreement, dated as of March 31, 2015 (as amended and restated, the “Amended Credit Agreement”). Pursuant to the Security Agreement and to secure our obligations under the Amended 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. Pursuant to the Pledge Agreement, we granted our lenders 100% of the voting stock or other equity interests in our domestic subsidiaries and 65% of the voting stock or other equity interests in certain of our foreign subsidiaries. If we default on our obligations under the Amended Credit Agreement, our lenders could accelerate our indebtedness and may be able to exercise their liens on the equity interests subject to the Pledge Agreement 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 Amended 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, 2015, we had outstanding indebtedness totaling \$312.0 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;

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

• 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 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

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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.

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 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;

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• 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 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 and may result in unexpected declines in our utilization and revenues.

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 29.9%, 31.5%, and 36.7% of our revenues for the years ended December 31, 2015, 2014, and 2013, respectively. No single client accounted for more than 10% of our revenues in 2015, 2014, or 2013. 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.

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In addition, almost all of our engagement agreements can be terminated by our clients with little or no notice and without penalty. 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 elect not to approve claims against fees earned by us prior to or after the bankruptcy filing.

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, and the internal professional resources of organizations. 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 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 addition, our engagement agreement with a client or other business reasons may preclude us from accepting engagements from time to time with 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.

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ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

As of December 31, 2015, our principal executive offices in Chicago, Illinois, consisted of approximately 140,000 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 cities: Atlanta, Georgia; Boston, Massachusetts; Buffalo, New York; Dallas, Texas; Detroit, Michigan; Houston, Texas; Madison, Wisconsin; New York City, New York; Pensacola, Florida; Portland, Oregon; San Francisco, California; Washington, D.C.; Bangalore, India; and Toronto, Canada. 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 alleged 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 alleged they were 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 stated 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 did not owe Tamalluk any compensation related to Tamalluk's claims. In addition, the court terminated the Local Sponsorship Agreement as requested by Huron in its counterclaim. Tamalluk appealed the decision, and on March 18, 2014, the appellate court upheld the decision in Huron's favor. Tamalluk filed an appeal on May 18, 2014 to the Court of Cassation, which is the highest court in Abu Dhabi. On October 21, 2014, the Court of Cassation referred the case back to the appellate court for consideration of Claimants' allegations relating to damage to reputation and defamation, which the appellate court had not previously addressed. The Court of Cassation ruled in Huron's favor on the other claims and on Huron's counterclaim. On October 13, 2015, the appellate court ruled in Huron's favor and denied Tamalluk's claims for damage to reputation and defamation. Tamalluk did not appeal to the Court of Cassation in the time period prescribed by law, and therefore the litigation is concluded.

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 provided 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, established and funded a Litigation Trust to pursue certain claims on behalf of certain beneficiaries. The Plan

disclosed 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 included Huron, as well as three of Huron's current or former employees.

The Plan suggested that Huron, among others, was involved in "actively marketing PA" for sale and provided opinions to unnamed parties "defending the quality of PA's earnings." While we believe that we have meritorious defenses, to avoid the time and expense of protracted litigation, in September 2015 we reached an agreement with the Litigation Trust to settle the matter for \$3.6 million. As a result, in

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the third quarter of 2015 we increased our accrued liability from \$1.3 million to \$3.6 million, and increased our insurance receivable from \$0.5 million to \$2.8 million. The settlement agreement has been finalized and approved by the Bankruptcy Court.

Other Litigation

During the fourth quarter of 2015, we settled two lawsuits brought by Huron, resulting in a gain of \$10.0 million being recorded. We collected the \$10.0 million in January 2016.

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
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
2015		
First Quarter	\$78.89	\$62.29
Second Quarter	\$71.92	\$58.13
Third Quarter	\$78.13	\$61.37
Fourth Quarter	\$65.03	\$43.35

Holders

As of February 16, 2016, there were 758 registered holders of record of Huron's common stock. A number of the Company's stockholders hold 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, the amount of dividends we may pay is subject to the restricted payment provisions of our senior secured credit facility. See the Liquidity and Capital Resources section under Part II—Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information on the restricted payment provisions of our senior secured credit facility.

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

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

Our Stock Ownership Participation Program, 2012 Omnibus Incentive Plan (as amended and restated), 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 satisfy individual tax withholding requirements. During the quarter ended December 31, 2015, we reacquired 33,297 shares of common stock with a weighted average fair market value of \$58.87 as a result of such tax withholdings.

In October 2014, our board of directors authorized a share repurchase program pursuant to which we may, from time to time, repurchase up to \$50 million of our common stock through October 31, 2015 (the "October 2014 Share

Repurchase Program”). In October

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2015, our board of directors authorized an extension of the October 2014 Share Repurchase Program through October 31, 2016, and in December 2015, our board of directors authorized an increase to the October 2014 Share Repurchase Program to \$125 million. The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, general market and business conditions, and applicable legal requirements.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs ⁽²⁾
October 1, 2015 – October 31, 2015	75	\$62.53	—	\$ 36,501,715
November 1, 2015 – November 30, 2015	—	\$—	—	\$ 36,501,715
December 1, 2015 – December 31, 2015	399,823	\$57.62	366,601	\$ 90,408,840
Total	399,898	\$57.62	366,601	

The number of shares purchased includes 75 shares in October 2015 and 33,222 shares in December 2015 to (1)satisfy employee tax withholding requirements. These shares do not reduce the repurchase authority under the October 2014 Share Repurchase Program.

(2)As of the end of the period.

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ITEM 6. SELECTED FINANCIAL DATA.

We have derived the following selected consolidated financial data as of and for the years ended December 31, 2011 through 2015 from our consolidated financial statements. The following data reflects the business acquisitions that we have completed through December 31, 2015. 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, 2015. Amounts previously reported on our Consolidated Statements of Operations and Consolidated Balance Sheets for the years 2011 through 2014 have been reclassified to adhere to the discontinued operations presentation. See Note 3 "Discontinued Operations" within the notes to our consolidated financial statements for additional information on our discontinued operations. 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 (in thousands, except per share data):	Year Ended December 31,				
	2015	2014	2013	2012	2011
Revenues and reimbursable expenses:					
Revenues	\$699,010	\$627,686	\$538,128	\$441,043	\$433,959
Reimbursable expenses	70,013	73,847	64,623	52,354	48,959
Total revenues and reimbursable expenses	769,023	701,533	602,751	493,397	482,918
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses) ⁽¹⁾ :					
Direct costs	401,915	384,277	323,398	261,092	259,284
Amortization of intangible assets and software development costs	16,788	4,590	2,660	3,635	5,349
Reimbursable expenses	69,932	73,855	64,665	52,360	49,070
Total direct costs and reimbursable expenses	488,635	462,722	390,723	317,087	313,703
Operating expenses and other operating gains:					
Selling, general and administrative expenses	157,902	132,799	116,976	107,616	105,642
Restructuring charges	3,329	2,811	305	3,047	3,798
Restatement related expenses	—	—	—	1,785	4,579
Litigation and other (gains) losses	(9,476)	(590)	(5,875)	1,150	1,096
Depreciation and amortization ⁽¹⁾	25,135	15,451	10,723	10,650	13,019
Goodwill impairment charges	—	—	—	13,083	21,973
Total operating expenses and other operating gains	176,890	150,471	122,129	137,331	150,107
Operating income	103,498	88,340	89,899	38,979	19,108
Other income (expense), net:					
Interest expense, net of interest income	(18,136)	(8,679)	(6,475)	(8,142)	(12,092)
Other income (expense), net	(1,797)	400	353	425	(323)
Total other expense, net	(19,933)	(8,279)	(6,122)	(7,717)	(12,415)
Income from continuing operations before income tax expense	83,565	80,061	83,777	31,262	6,693
Income tax expense	21,670	33,059	32,200	14,211	6,015
Net income from continuing operations	61,895	47,002	51,577	17,051	678
Income (loss) from discontinued operations, net of tax	(2,843)	32,049	14,856	19,377	19,841
Net income	\$59,052	\$79,051	\$66,433	\$36,428	\$20,519

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Consolidated Statements of Operations Data (in thousands, except per share data):	Year Ended December 31,				
	2015	2014	2013	2012	2011
Net earnings per basic share:					
Net income from continuing operations	\$2.80	\$2.10	\$2.31	\$0.78	\$0.03
Income (loss) from discontinued operations, net of tax	(0.13	) 1.42	0.67	0.88	0.93
Net income	\$2.67	\$3.52	\$2.98	\$1.66	\$0.96
Net earnings per diluted share:					
Net income from continuing operations	\$2.74	\$2.05	\$2.26	\$0.77	\$0.03
Income (loss) from discontinued operations, net of tax	(0.13	) 1.40	\$0.66	\$0.86	\$0.92
Net income	\$2.61	\$3.45	\$2.92	\$1.63	\$0.95
Weighted average shares used in calculating net earnings per share:					
Basic	22,136	22,431	22,322	21,905	21,324
Diluted	22,600	22,925	22,777	22,285	21,676
Consolidated Balance Sheet Data (in thousands):	As of December 31,				
	2015	2014	2013	2012	2011
Cash and cash equivalents	\$58,437	\$256,872	\$58,131	\$25,162	\$5,080
Working capital	\$98,168	\$309,783	\$99,130	\$83,647	\$41,822
Total assets	\$1,164,160	\$1,155,914	\$885,600	\$787,900	\$786,644
Long-term debt ⁽²⁾	\$311,993	\$327,852	\$143,798	\$192,500	\$193,500
Total stockholders' equity ⁽³⁾	\$652,325	\$600,634	\$530,264	\$445,321	\$396,789

Intangible assets amortization relating to customer contracts, certain client relationships, and software and (1) amortization of software development costs are presented as a component of total direct costs. Depreciation and intangible assets amortization not classified as direct costs are presented as a component of operating expenses.

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

(3) 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

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

We provide our services and manage our business under four operating segments: Huron Healthcare, Huron Education and Life Sciences, Huron Business Advisory, and All Other. See Part I—Item 1. "Business—Overview—Our Services" and Note 18 "Segment Information" within the notes to our consolidated financial statements for a detailed discussion of our four segments.

On December 31, 2015, we completed our divestiture of the Huron Legal segment. See Note 3 "Discontinued Operations" under Part II—Item 8. "Financial Statements and Supplementary Data" for information on our discontinued operations.

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How We Generate Revenues

A large portion of our revenues is generated by our full-time consultants who provide consulting services to our clients and are billable to our clients based on the number of hours worked. A smaller portion of our revenues is generated by our other professionals, also referred to as full-time equivalents, many of whom work variable schedules as needed by our clients. Full-time equivalent professionals include specialized finance and operational consultants, our cultural transformation consultants from our Studer Group solution, which include coaches and their support staff, and our employees who provide software support and maintenance services to our clients. We translate the hours that these other professionals work on client engagements into a full-time equivalent measure that we use to manage our business. We refer to our full-time consultants and other professionals collectively as revenue-generating professionals.

Revenues generated by our full-time consultants are primarily driven by the number of consultants we employ and their utilization rates, as well as the billing rates we charge our clients. Revenues generated by our other professionals, or full-time equivalents, are largely dependent on the number of consultants we employ, their hours worked, and billing rates charged. Revenues generated by our coaches are largely dependent on the number of coaches we employ and the total value, scope, and terms of the consulting contracts under which they provide services, which are primarily fixed-fee contracts.

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

In fixed-fee billing arrangements, we agree to a pre-established fee in exchange for a predetermined set of professional services. We set the fees based on our estimates of the costs and timing for completing the engagements. It is the client's expectation in these engagements that the pre-established fee will not be exceeded except in mutually agreed upon circumstances. We generally recognize revenues under fixed-fee billing arrangements using a proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement. Contracts within our Studer Group solution are fixed-fee partner contracts with multiple deliverables, which primarily consist of coaching services, as well as seminars, materials and software products ("Partner Contracts"). Revenues for coaching services and software products are generally recognized on a straight-line basis over the length of the contract. All other revenues under Partner Contracts are recognized at the time the service is provided.

Fixed-fee arrangements also include software licenses for our revenue cycle management software and research administration and compliance software. Licenses for our revenue cycle management software are sold only as a component of our consulting projects, and the services we provide are essential to the functionality of the software. Therefore, revenues from these software licenses are recognized over the term of the related consulting services contract. License revenue from our research administration and compliance software is generally recognized in the month in which the software is delivered.

Fixed-fee engagements represented 58.0%, 50.3% and 48.5% of our revenues for the years ended December 31, 2015, 2014, and 2013, respectively.

Time-and-expense billing arrangements require the client to pay based on the number of hours worked by our revenue-generating professionals at agreed upon rates. Time-and-expense arrangements also include certain speaking engagements, conferences, and publication orders purchased by our clients outside of Partner Contracts within our Studer Group solution. We recognize revenues under time-and-expense billing arrangements as the related services or publications are provided. Time-and-expense engagements represented 28.7%, 28.3%, and 27.7% of our revenues in 2015, 2014, and 2013, 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 8.7%, 17.2%, and 19.6% of our revenues in 2015, 2014, and 2013, respectively. Performance-based fee engagements may cause significant variations in quarterly revenues and operating results depending on the timing of achieving the performance-based criteria.

Clients that have purchased one of our software licenses can pay an annual fee for software support and maintenance. We also generate subscription revenue from our cloud-based analytic tools and solutions. Software support and maintenance and subscription-based revenues are recognized ratably over the support or subscription period, which ranges from one to three years. These fees are billed in advance and included in deferred revenues until recognized. Software support and maintenance and subscription-based revenues represented 4.6%, 4.2%, and 4.2% of our revenues in 2015, 2014, and 2013, 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

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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, as well as technology costs and 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 primarily relating to customer contracts, certain customer relationships, and technology and software, 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, and litigation and other gains and losses. 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 corporate 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.

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RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected segment and consolidated operating results and other operating data. The results of operations for acquired businesses have been included in our results of operations since the date of their respective acquisition. All of the results of operations for the Huron Legal segment have been reclassified as discontinued operations for the periods presented. See Note 3 "Discontinued Operations" within the notes to our consolidated financial statements for additional information on the Huron Legal divestiture.

	Year Ended December 31,				
	2015	2014	2013		
Segment and Consolidated Operating Results (in thousands):					
Huron Healthcare:					
Revenues	\$446,887	\$415,803	\$358,766		
Operating income	\$169,560	\$159,015	\$141,870		
Segment operating income as a percentage of segment revenues	37.9	% 38.2	% 39.5	%	
Huron Education and Life Sciences:					
Revenues	\$167,933	\$145,962	\$143,609		
Operating income	\$44,216	\$36,131	\$35,966		
Segment operating income as a percentage of segment revenues	26.3	% 24.8	% 25.0	%	
Huron Business Advisory:					
Revenues	\$82,968	\$62,840	\$34,669		
Operating income	\$19,263	\$14,035	\$7,211		
Segment operating income as a percentage of segment revenues	23.2	% 22.3	% 20.8	%	
All Other:					
Revenues	\$1,222	\$3,081	\$1,084		
Operating loss	\$(1,718)	\$(2,466)	\$(1,256)))
Segment operating loss as a percentage of segment revenues	N/M	N/M	N/M		
Total Company:					
Revenues	\$699,010	\$627,686	\$538,128		
Reimbursable expenses	70,013	73,847	64,623		
Total revenues and reimbursable expenses	\$769,023	\$701,533	\$602,751		
Statements of Earnings reconciliation:					
Segment operating income	\$231,321	\$206,715	\$183,791		
Items not allocated at the segment level:					
Other operating expenses and gains	102,688	102,924	83,169		
Depreciation and amortization expense	25,135	15,451	10,723		
Total operating income	\$103,498	\$88,340	\$89,899		
Other Operating Data (excluding All Other):					
Number of full-time billable consultants (at period end) ⁽¹⁾ :					
Huron Healthcare	1,037	1,099	966		
Huron Education and Life Sciences	478	418	413		
Huron Business Advisory	306	205	155		
Total	1,821	1,722	1,534		
Average number of full-time billable consultants (for the period) ⁽¹⁾ :					
Huron Healthcare	1,085	1,070	907		
Huron Education and Life Sciences	442	417	427		
Huron Business Advisory	243	180	85		
Total	1,770	1,667	1,419		
Full-time billable consultant utilization rate ⁽²⁾ :					
Huron Healthcare	77.9	% 78.3	% 83.0	%	

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Huron Education and Life Sciences	75.5	% 71.3	% 66.6	%
Huron Business Advisory	75.0	% 68.0	% 72.7	%
Total	76.9	% 75.4	% 77.4	%
Full-time billable consultant average billing rate per hour ⁽³⁾ :				
Huron Healthcare	\$217	\$248	\$233	
Huron Education and Life Sciences	\$231	\$219	\$216	
Huron Business Advisory ⁽⁴⁾	\$228	\$255	\$285	
Total	\$222	\$242	\$232	

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Other Operating Data (continued):

Revenue per full-time billable consultant (in thousands):

Huron Healthcare	\$313	\$363	\$369
Huron Education and Life Sciences	\$325	\$292	\$272
Huron Business Advisory	\$328	\$330	\$392
Total	\$318	\$341	\$341

Average number of full-time equivalents (for the period) ⁽⁵⁾:

Huron Healthcare	179	60	53
Huron Education and Life Sciences	43	43	44
Huron Business Advisory	8	9	2
Total	230	112	99

Revenue per full-time equivalent (in thousands):

Huron Healthcare	\$604	\$461	\$449
Huron Education and Life Sciences	\$574	\$558	\$620
Huron Business Advisory	\$408	\$390	\$530
Total	\$591	\$493	\$530

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

(2) Utilization rate for our full-time billable consultants is calculated by dividing the number of hours all of our full-time billable consultants worked on client assignments during a period by the total available working hours for all of these consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.

(3) Average billing rate per hour for our full-time billable consultants is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period.

(4) The Huron Business Advisory segment includes the operations of Rittman Mead India, a business we acquired effective July 1, 2015. Absent the impact of Rittman Mead India, the average billing rate per hour for Huron Business Advisory for the year ended December 31, 2015 would have been \$256.

(5) Consists of consultants who work variable schedules as needed by our clients, including full-time employees who provide software support and maintenance services to our clients, and cultural transformation consultants within our Studer Group solution, which include coaches and their support staff.

N/M - Not meaningful

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.

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

	Year Ended December 31,		
	2015	2014	2013
Revenues	\$699,010	\$627,686	\$538,128
Net income from continuing operations	\$61,895	\$47,002	\$51,577
Add back:			
Income tax expense	21,670	33,059	32,200
Interest and other expenses	19,933	8,279	6,122
Depreciation and amortization	41,923	20,041	13,383
Earnings before interest, taxes, depreciation and amortization (EBITDA)	145,421	108,381	103,282
Add back:			
Restructuring charges	3,329	2,811	305
Litigation and other gains, net	(9,476)	) (590	) (5,875
Adjusted EBITDA	\$139,274	\$110,602	\$97,712
Adjusted EBITDA as a percentage of revenues	19.9	% 17.6	% 18.2
	Year Ended December 31,		
	2015	2014	2013
Net income from continuing operations	\$61,895	\$47,002	\$51,577
Weighted average shares—diluted	22,600	22,925	22,777
Diluted earnings per share from continuing operations	\$2.74	\$2.05	\$2.26
Add back:			
Amortization of intangible assets	28,696	8,896	3,933
Restructuring charges	3,329	2,811	305
Litigation and other gains, net	(9,476)	) (590	) (5,875
Non-cash interest on convertible notes	7,141	2,139	—
Tax effect	(11,698)	) (5,302	) 655
Net tax (benefit) expense related to “check-the-box” elections	(12,336)	) 1,161	—
Total adjustments, net of tax	5,656	9,115	(982)
Adjusted net income from continuing operations	\$67,551	\$56,117	\$50,595
Adjusted diluted earnings per share from continuing operations	\$2.99	\$2.45	\$2.22

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

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

Litigation and other gains, net: We have excluded the effects of the net litigation gain and remeasurement gain related to a contingent acquisition liability recorded in 2015, the remeasurement gain related to a contingent acquisition liability recorded in 2014, and the net litigation gains recorded in 2013 to permit comparability with periods that were not impacted by these items.

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

Non-cash interest on convertible notes: We incur non-cash interest expense relating to the implied value of the equity conversion component of our \$250 million principal amount of 1.25% convertible senior notes due 2019 (the “Convertible Notes”) that we issued in September 2014. The value of the equity conversion component is treated as a debt discount and amortized to interest expense over the life of the Convertible Notes using the effective interest rate

method. We exclude this non-cash interest expense that does not represent cash interest payments made to our note holders from the calculation of Adjusted net income from continuing operations.

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

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Net tax (benefit) expense related to “check-the-box” elections: We have excluded the effects of our “check-the-box” elections to treat two of our wholly-owned foreign subsidiaries in the fourth quarter of 2015 and one of our wholly-owned foreign subsidiaries in the first quarter of 2014 as disregarded entities for U.S. federal income tax purposes because their 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, 2015 Compared to Year Ended December 31, 2014

Revenues

Revenues increased \$71.3 million, or 11.4%, to \$699.0 million for the year ended December 31, 2015, from \$627.7 million for the year ended December 31, 2014. Revenues for 2015 included \$81.5 million from our acquisitions of Studer Group, Cloud62, and Rittman Mead India, which were completed in 2015, and \$11.5 million of incremental revenues due to the full year impact in 2015 of our acquisitions of Vonlay and Threshold Consulting, which were completed in 2014.

Of the overall \$71.3 million increase in revenues, \$79.4 million was attributable to an increase in revenue generated by our full-time equivalents, partially offset by an \$8.1 million decrease in revenue from our full-time billable consultants.

The increase in revenue attributable to full-time equivalents primarily reflected the revenue generated by our healthcare coaches in the Huron Healthcare segment, which was the result of our acquisition of Studer Group during the first quarter of 2015.

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

Total Direct Costs

Our total direct costs increased \$29.8 million, or 7.7%, to \$418.7 million for the year ended December 31, 2015 from \$388.9 million for the year ended December 31, 2014. Total direct costs for the year ended December 31, 2015 included \$43.0 million from Studer Group. The overall increase primarily related to a \$39.0 million increase in salaries and related expenses for our revenue-generating professionals, a \$12.1 million increase in intangible asset amortization expense, and a \$3.6 million increase in product and event costs, partially offset by a \$23.7 million decrease in bonus expense for our revenue-generating professionals and a \$3.3 million decrease in contractor expense during 2015 compared to 2014.

As a percentage of revenues, our total direct costs decreased to 59.9% during 2015 compared to 62.0% during 2014, and primarily reflected the decrease in bonus expense for our revenue-generating professionals and the decrease in contractor expense. These decreases were partially offset by increases, as a percentage of revenues, in intangible asset amortization expense, salaries and related expenses for our revenue-generating professionals, and product and event costs, all of which were largely driven by the acquisition of Studer Group during 2015.

Total direct costs for the year ended December 31, 2015 included \$15.6 million of share-based compensation expense for our revenue-generating professionals compared to \$14.0 million in 2014.

Total direct costs for the year ended December 31, 2015 also included \$16.8 million of amortization expense for intangible assets, primarily representing customer-related assets and software acquired in business combinations, and software development costs, compared to \$4.6 million of amortization expense in 2014. The \$12.2 million increase in amortization expense was primarily attributable to \$13.9 million of amortization expense for intangible assets

acquired in the Studer Group acquisition, partially offset by other intangible assets that became fully amortized during 2014.

Operating Expenses and Other Operating Gains

Selling, general and administrative expenses increased \$25.1 million, or 18.9%, to \$157.9 million for the year ended December 31, 2015, compared to \$132.8 million for the year ended December 31, 2014. Selling, general and administrative expenses for the year ended December 31, 2015 included \$23.2 million from Studer Group. This overall increase was primarily related to a \$12.4 million increase in

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salaries and related expenses for our support personnel, a \$3.1 million increase in facilities and other office related expenses, a \$1.8 million increase in bonus expense, a \$1.1 million increase in promotion and sponsorship expenses, and a \$0.9 million increase in outside professional services expenses. As a percentage of revenues, selling, general and administrative expenses increased to 22.6% during 2015 compared to 21.2% during 2014, primarily due to the items described above. Also included in selling, general and administrative expenses is share-based compensation expense for our non-revenue-generating professionals, which totaled \$3.6 million in 2015, compared to \$4.7 million in 2014. Restructuring charges for the year ended December 31, 2015 totaled \$3.3 million, compared to \$2.8 million for the year ended December 31, 2014. The charges in 2015 consisted of \$2.8 million related to workforce reductions to better align our resources with market demand and \$0.5 million related to office exit costs primarily related to updated assumptions for the lease accrual of the Washington, D.C. space vacated in the fourth quarter of 2014. Of the \$3.3 million pretax charge, \$1.2 million related to our Huron Healthcare segment, \$1.1 million related to our All Other segment as we wound down our public sector consulting practice and our foreign consulting operations based in the Middle East, and \$1.0 million related to our corporate operations. The \$2.8 million charge in 2014 related to the consolidation of office spaces in Washington, D.C., Chicago, and New York, and the closure of our office in San Diego. The \$2.8 million charge for office space reductions primarily includes \$1.8 million related to the accrual of our remaining lease obligations at vacated spaces, net of estimated sublease income, and \$0.9 million 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. The \$2.8 million total charge in 2014 related to our corporate operations. See Note 10 "Restructuring Charges" within the notes to our consolidated financial statements for further discussion of our restructuring expenses.

Litigation and other gains totaled \$9.5 million for the year ended December 31, 2015, compared to \$0.6 million during the year ended December 31, 2014. The gain of \$9.5 million in 2015 consisted of a \$9.2 million net gain from litigation settlements and a \$0.3 million remeasurement gain related to a decrease in the fair value of a contingent consideration liability incurred in connection with a business acquisition that was completed in the fourth quarter of 2014. During the fourth quarter of 2015, we settled two lawsuits brought by Huron, resulting in a gain of \$10.0 million being recorded. We collected the \$10.0 million in January 2016. During the second quarter of 2015, we recorded a net litigation accrual of \$0.8 million related to the Physiotherapy Associates matter, which is discussed in more detail in Note 17 "Commitments, Contingencies and Guarantees" within the notes to the consolidated financial statements. During the year ended December 31, 2014, we recorded remeasurement gains totaling \$0.6 million related to a decrease in the fair value of a contingent consideration liability incurred in connection with another business acquisition that was completed in the first quarter of 2014.

Depreciation and amortization expense increased \$9.7 million, or 62.7%, to \$25.1 million for the year ended December 31, 2015, from \$15.5 million for the year ended December 31, 2014. The increase was primarily attributable to \$7.3 million of amortization expense for intangible assets acquired in the Studer Group acquisition and \$1.2 million of depreciation expense for fixed assets acquired in the Studer Group acquisition. Intangible asset amortization included within operating expenses relates to certain customer relationships, non-competition agreements, and trade names acquired in connection with our business acquisitions.

Operating Income

Operating income increased \$15.2 million, or 17.2%, to \$103.5 million for the year ended December 31, 2015, from \$88.3 million for the year ended December 31, 2014. Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 14.8% in 2015 compared to 14.1% in 2014. The increase in operating margin was primarily attributable to the decrease in bonus expense for our revenue-generating professionals and the increase in litigation and other gains, largely offset by the increases, as a percentage of revenues, in intangible asset amortization expense and salaries and related expenses for both our revenue-generating professionals and support personnel.

Other Expense, Net

Other expense, net increased \$11.7 million to \$19.9 million for the year ended December 31, 2015, from \$8.3 million for the year ended December 31, 2014. The increase was primarily attributable to a \$9.5 million increase in interest

expense, net and a \$1.5 million increase in foreign currency transaction losses. The increase in interest expense, net was due to our Convertible Notes issued in September 2014 and interest expense resulting from higher levels of borrowings under our credit facility. During 2015, cash interest expense related to the coupon of the Convertible Notes was \$3.1 million and the non-cash interest expense related to the amortization of the debt discount and debt issuance costs totaled \$8.3 million. During 2014, cash interest expense related to the coupon of the Convertible Notes was \$1.0 million and the non-cash interest expense related to the amortization of the debt discount and debt issuance costs totaled \$2.5 million. For the year ending December 31, 2016, 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 \$8.7 million.

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Income Tax Expense

For the year ended December 31, 2015, we recognized income tax expense from continuing operations of \$21.7 million on income from continuing operations of \$83.6 million, for an effective tax rate of 25.9%. For the year ended December 31, 2014, we recognized income tax expense from continuing operations of \$33.1 million on income from continuing operations of \$80.1 million, for an effective tax rate of 41.3%. Our effective tax rate for 2015 was lower than the statutory rate, inclusive of state income taxes, primarily due to the impact of a tax election made in the fourth quarter of 2015 to classify two of our wholly-owned foreign subsidiaries as disregarded entities 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 \$13.0 million, of which \$0.7 million is unrecognized, resulting in a net recognized tax benefit of \$12.3 million. Our effective tax rate for 2014 was higher than the statutory rate, inclusive of state income taxes, primarily due to an increase in valuation allowance and foreign source losses with no tax benefits.

Net Income from Continuing Operations

Net income from continuing operations was \$61.9 million for the year ended December 31, 2015, compared to \$47.0 million for the year ended December 31, 2014. The \$14.9 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 due to our check-the-box election, partially offset by the increase in interest 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, 2015 was \$2.74 compared to \$2.05 for 2014.

Discontinued Operations

Net loss from discontinued operations was \$2.8 million for the year ended December 31, 2015, compared to net income from discontinued operations of \$32.0 million for the year ended December 31, 2014. See Note 3 "Discontinued Operations" within the notes to our consolidated financial statements for additional information about our discontinued operations.

EBITDA and Adjusted EBITDA

EBITDA increased \$37.0 million, or 34.2%, to \$145.4 million for the year ended December 31, 2015, from \$108.4 million for the year ended December 31, 2014. Adjusted EBITDA increased \$28.7 million, or 25.9%, to \$139.3 million in 2015 from \$110.6 million in 2014. The increase in EBITDA was primarily due to the increase in segment operating income, exclusive of the increase in amortization expense, as discussed below in Segment Results. The increase in Adjusted EBITDA was primarily due to the increase in segment operating income, exclusive of the increase in amortization expense, partially offset by an increase in corporate expenses, exclusive of litigation and other gains.

Adjusted Net Income from Continuing Operations

Adjusted net income from continuing operations increased \$11.4 million, or 20.4%, to \$67.6 million for the year ended December 31, 2015, compared to \$56.1 million for the year ended December 31, 2014. The increase was primarily attributable to the increase in segment operating income, exclusive of the increase in amortization expense, partially offset by an increase in corporate expenses and interest and other expenses, exclusive of litigation and other gains. As a result of the increase in adjusted net income from continuing operations, adjusted diluted earnings per share from continuing operations for 2015 was \$2.99, compared to \$2.45 for 2014.

Segment Results

Huron Healthcare

Revenues

Huron Healthcare segment revenues increased \$31.1 million, or 7.5%, to \$446.9 million for the year ended December 31, 2015, from \$415.8 million for the year ended December 31, 2014. Revenues for 2015 included \$79.8 million from our acquisition of Studer Group completed in 2015, and \$10.7 million of incremental revenues due to the full year impact in 2015 of our acquisition of Vonlay completed in 2014. Revenues for 2015 were negatively impacted by a \$0.8 million charge related to the fair value adjustment of deferred revenue acquired in the Studer Group acquisition. We do not expect to incur any additional charges related to this adjustment as the \$0.8 million charge

reflects the total fair value adjustment.

During 2015, revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 75.7%, 7.2%, 11.7%, and 5.4% of this segment's revenues, respectively, compared to 65.0%, 5.4%, 24.8%, and 4.8%, respectively, in 2014.

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Of the overall \$31.1 million increase in revenues, \$80.0 million was attributable to an increase in revenue from our full-time equivalents, partially offset by a \$48.9 million decrease in revenue attributable to our full-time billable consultants.

The increase in revenue attributable to our full-time equivalents reflected increases in both the average number of full-time equivalents and revenue per full-time equivalent in 2015 compared to 2014, and is primarily the result of our Studer Group acquisition.

The decrease in revenue attributable to our full-time billable consultants reflected decreases in the average billing rate and consultant utilization rate, partially offset by an increase in the average number of full-time billable consultants. This decrease in revenue was largely driven by lower performance-based fees, a decrease in revenue in our performance improvement solutions, and project timing, all compared to the prior year. Performance-based fee revenue was \$52.3 million during 2015 compared to \$103.2 million during 2014. The level of performance-based fees earned may vary based on our clients' risk sharing preferences and the mix of services we provide. Performance-based fee arrangements may cause significant variations in revenues, operating results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria.

Operating Income

Huron Healthcare segment operating income increased \$10.5 million, or 6.6%, to \$169.6 million for the year ended December 31, 2015, from \$159.0 million for the year ended December 31, 2014. The Huron Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, decreased slightly to 37.9% in 2015 from 38.2% in 2014. The slight decrease in this segment's operating margin was primarily attributable to increases, as a percentage of revenues, in salaries and related expenses for our revenue-generating professionals, salaries and related expenses and bonus expense for our support personnel, intangible asset amortization expense related to our acquisition of Studer Group, and product and event costs during 2015 compared to the prior year. The unfavorable impact of these items was largely offset by a decrease in bonus expense for our revenue-generating professionals, as well as a decrease in technology expense, during 2015 compared to 2014.

Huron Education and Life Sciences

Revenues

Huron Education and Life Sciences segment revenues increased \$22.0 million, or 15.1%, to \$167.9 million for the year ended December 31, 2015, from \$146.0 million for the year ended December 31, 2014. Revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 32.2%, 62.7%, 0.3%, and 4.8% of this segment's revenues, respectively, during 2015. Revenues from fixed-fee engagements, time-and-expense engagements, and software support and maintenance arrangements represented 24.3%, 71.2%, and 4.5% of this segment's revenues, respectively, during 2014.

Of the overall \$22.0 million increase in revenues, \$21.8 million was attributable to an increase in revenue generated by our full-time billable consultants and \$0.2 million was attributable to our full-time equivalents. The overall increase in revenues was driven by strong demand across all practices within this segment. The increase in revenues from our full-time billable consultants reflected increases in the average number of full-time billable consultants, consultant utilization rate, and average billing rate in 2015 compared to 2014. The increase in revenue from our full-time equivalents reflected an increase in revenue per full-time equivalent in 2015 compared to 2014.

Operating Income

Huron Education and Life Sciences segment operating income increased \$8.1 million, or 22.4%, to \$44.2 million for the year ended December 31, 2015, from \$36.1 million for the year ended December 31, 2014. The Huron Education and Life Sciences segment operating margin increased to 26.3% for 2015 from 24.8% for 2014. The increase in this segment's operating margin was primarily attributable to revenue growth that outpaced the increase in salaries and related expenses for both our revenue-generating professionals and support personnel, as well as a decrease in contractor expense, partially offset by an increase in bonus expense for our revenue-generating professionals and support personnel as a percentage of revenues.

Huron Business Advisory

Revenues

Huron Business Advisory segment revenues increased \$20.1 million, or 32.0%, to \$83.0 million for the year ended December 31, 2015, from \$62.8 million for the year ended December 31, 2014. Revenues for 2015 included \$1.6 million from our acquisitions of Cloud62 and Rittman Mead India, which were completed in 2015, and \$0.8 million of incremental revenues due to the full year impact in 2015 of our acquisition of Threshold Consulting completed in 2014. Revenues from fixed-fee engagements, time-and-expense engagements, performance-based engagements, and software support and maintenance arrangements represented 14.7%, 75.3%, 9.6%, and 0.4% of this

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segment's revenues, respectively, during 2015. Revenues from fixed-fee engagements, time-and-expense engagements, and performance-based engagements represented 13.8%, 79.5%, and 6.7% of this segment's revenues, respectively, in 2014. Performance-based fee revenue for the year ended December 31, 2015 was \$8.0 million, of which \$5.2 million was generated by Huron Transaction Advisory LLC, our registered broker-dealer. Performance-based fee revenue for the year ended December 31, 2014 was \$4.2 million, of which \$2.5 million was generated by Huron Transaction Advisory LLC. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide. Performance-based fee arrangements may cause significant variations in revenues, operating results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria.

The \$20.1 million increase in revenues was attributable to an increase in revenue generated by our full-time billable consultants. This revenue growth reflected increases in the average number of full-time billable consultants and consultant utilization rate, partially offset by a decrease in the average billing rate when comparing 2015 to 2014. The decrease in the average billing rate was largely the result of our acquisition of Rittman Mead India.

Operating Income

Huron Business Advisory segment operating income increased by \$5.2 million, or 37.2%, to \$19.3 million for the year ended December 31, 2015, compared to \$14.0 million for the year ended December 31, 2014. Segment operating margin increased to 23.2% for 2015 from 22.3% for 2014. The increase in this segment's operating margin was primarily attributable to revenue growth that outpaced increases in salaries and related expenses and bonus expense for our revenue-generating professionals and a decrease in contractor expense, partially offset by increases, as a percentage of revenues, in salaries and related expenses and bonus expense for our support personnel and practice administration and meetings expenses.

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

Revenues

Revenues increased \$89.6 million, or 16.6%, to \$627.7 million for the year ended December 31, 2014, from \$538.1 million for the year ended December 31, 2013. Revenues for 2014 included \$36.0 million from our acquisitions of Vonlay, The Frankel Group Associates, and Threshold Consulting, which were completed in 2014, and \$21.6 million of incremental revenues due to the full year impact in 2014 of our acquisition of Blue Stone International completed in 2013.

Of the overall \$89.6 million increase in revenues, \$87.0 million was attributable to our full-time billable consultants, while \$2.6 million was attributable to our full-time equivalents. The \$87.0 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 \$107.9 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 \$2.6 million increase in full-time equivalent revenues was primarily driven by an increase in the average number of full-time equivalents, partially offset by a decrease 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, partially offset by a decreased use of contractors in the Huron Education and Life Sciences segment.

Total Direct Costs

Our total direct costs increased \$62.8 million, or 19.3%, to \$388.9 million for the year ended December 31, 2014 from \$326.1 million for the year ended December 31, 2013. The increase was primarily related to a \$52.5 million increase in salaries and related expenses for our revenue-generating professionals, a \$7.8 million increase in bonus expense for our revenue-generating professionals, and a \$1.9 million increase in amortization expense for intangible assets and software development costs. As a percentage of revenues, our total direct costs increased to 62.0% during 2014

compared to 60.6% 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 increase in bonus expense for our revenue-generating professionals and a decrease in contractor 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 \$14.0 million of share-based compensation expense for our revenue-generating professionals compared to \$12.1 million in 2013. The increase in share-based 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

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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 \$4.6 million of amortization expense for intangible assets, primarily representing customer-related assets and software acquired in business combinations, and software development costs, compared to \$2.7 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 \$15.8 million, or 13.5%, to \$132.8 million for the year ended December 31, 2014, compared to \$117.0 million for the year ended December 31, 2013. This increase was primarily related to a \$7.4 million increase in salaries and related expenses for our support personnel, a \$2.6 million increase in facilities and other office related expenses, a \$2.2 million increase in promotion and sponsorship expenses, a \$1.4 million increase in outside professional service expenses, a \$0.9 million increase in legal expenses, and a \$0.9 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 decreased to 21.2% during 2014 from 21.7% during 2013, primarily due to the decrease in bonus expense. Also included in selling, general and administrative expenses is share-based compensation expense for our non-revenue-generating professionals, which totaled \$4.7 million in 2014, compared to \$4.0 million in 2013.

Restructuring charges for the year ended December 31, 2014 totaled \$2.8 million, compared to \$0.3 million for the year ended December 31, 2013. The charges in 2014 primarily consisted of \$2.8 million in pretax charges related to the consolidation of office spaces in Washington, D.C., Chicago, and New York, and closure of our office in San Diego. Of the total \$2.8 million charge for office space reduction, \$1.8 million is related to the accrual of our remaining lease obligations at vacated spaces, net of estimated sublease income, and \$0.9 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. The restructuring expense in 2013 primarily consisted of the early termination of certain computer lease contracts related to the integration of our Blue Stone International, LLC acquisition. See Note 10 "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 that was completed in 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 \$4.7 million, or 44.1%, to \$15.5 million for the year ended December 31, 2014, from \$10.7 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.

Operating Income

Operating income decreased \$1.6 million, or 1.7%, to \$88.3 million for the year ended December 31, 2014, from \$89.9 million for the year ended December 31, 2013. Operating margin, which is defined as operating income expressed as a percentage of revenues, decreased to 14.1% in 2014 compared to 16.7% in 2013. The decrease in operating margin was primarily attributable to the increases in salaries and related expenses for our revenue-generating professionals and restructuring charges 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 and the decrease in bonus expense for our support personnel.

Other Expense, Net

Total other expense, net increased \$2.2 million, or 35.2%, to \$8.3 million for the year ended December 31, 2014, from \$6.1 million for the year ended December 31, 2013. This increase is primarily attributable to a \$2.2 million increase in interest expense, which increased due to 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

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Convertible Notes and \$2.5 million for the amortization of debt discount and debt issuance costs.

Income Tax Expense

For the year ended December 31, 2014, we recognized income tax expense from continuing operations of \$33.1 million on income from continuing operations of \$80.1 million, for an effective tax rate of 41.3%. For the year ended December 31, 2013, we recognized income tax expense from continuing operations of \$32.2 million on income from continuing operations of \$83.8 million, for an effective tax rate of 38.4%. Our effective tax rate for 2014 was higher than the statutory rate, inclusive of state income taxes, primarily due to an increase in valuation allowance and foreign source losses with no tax benefits. Our effective tax rate for 2013 was lower than the statutory rate, inclusive of state income taxes, primarily due to the impact of tax credits and certain deductions, partially offset by the impact of no tax benefit for foreign losses and certain non-deductible business expenses.

Net Income from Continuing Operations

Net income from continuing operations was \$47.0 million for the year ended December 31, 2014, compared to \$51.6 million for the year ended December 31, 2013. The \$4.6 million decrease in net income from continuing operations was primarily due to the decrease in operating income and the increase in interest expense, as discussed above. As a result of the decrease in net income from continuing operations, diluted earnings per share from continuing operations for the year ended December 31, 2014 was \$2.05 compared to \$2.26 for 2013.

Discontinued Operations

Net income from discontinued operations was \$32.0 million for the year ended December 31, 2014, compared to \$14.9 million for the year ended December 31, 2013. This increase is primarily the result of a "check-the-box" election we 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. As a result of this election, we realized an income tax benefit of \$13.8 million, of which \$2.4 million is unrecognized, resulting in a net recognized tax benefit for discontinued operations of \$11.4 million. See Note 3 "Discontinued Operations" within the notes to our consolidated financial statements for additional information about our discontinued operations.

EBITDA and Adjusted EBITDA

EBITDA increased \$5.1 million, or 4.9%, to \$108.4 million for the year ended December 31, 2014, from \$103.3 million for the year ended December 31, 2013. Adjusted EBITDA increased \$12.9 million, or 13.2%, to \$110.6 million in 2014 from \$97.7 million in 2013. The increase in EBITDA was primarily due to the increase in 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.

Adjusted Net Income from Continuing Operations

Adjusted net income from continuing operations increased \$5.5 million, or 10.9%, to \$56.1 million for the year ended December 31, 2014, compared to \$50.6 million for the year ended December 31, 2013. The increase was primarily attributable to the increase in segment operating income, partially offset by an increase in corporate expenses. As a result of the increase in adjusted net income from continuing operations, adjusted diluted earnings per share from continuing operations for 2014 was \$2.45, compared to \$2.22 for 2013.

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 2014 included \$20.0 million from our acquisition of Vonlay, which was completed in 2014. During 2014, revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance arrangements represented 65.0%, 5.4%, 24.8%, and 4.8% of this segment's revenues, respectively, compared to 64.6%, 1.6%, 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

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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 \$103.2 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 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 our acquisition of The Frankel Group Associates, which was completed in 2014. Revenues from fixed-fee engagements, time-and-expense engagements, and software support and maintenance arrangements represented 24.3%, 71.2%, and 4.5% of this segment's revenues, respectively, during 2014, compared to 15.0%, 81.0%, 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.

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, LLC, 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 fixed-fee engagements, time-and-expense engagements, and performance-based engagements represented 13.8%, 79.5%, and 6.7% of this segment's revenues, respectively, during 2014, compared to 18.4%, 78.8%, 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

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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, LLC.

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.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$58.4 million, \$256.9 million, and \$58.1 million at December 31, 2015, 2014, and 2013, respectively. As of December 31, 2015, our primary sources of liquidity are cash on hand, cash flows from our U.S. operations, and borrowing capacity available under our credit facility.

Cash Flows (in thousands):	Year Ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	\$164,267	\$146,453	\$115,258
Net cash used in investing activities	\$(272,158)	\$(93,831)	\$(52,658)
Net cash provided by (used in) financing activities	\$(89,955)	\$146,170	\$(29,648)
Effect of exchange rate changes on cash	\$(589)	\$(51)	\$17
Net increase (decrease) in cash and cash equivalents	\$(198,435)	\$198,741	\$32,969

Operating Activities

Net cash provided by operating activities totaled \$164.3 million, \$146.5 million, and \$115.3 million for the years ended December 31, 2015, 2014, and 2013, 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 2015 compared to 2014 was primarily attributable to increased cash collections from clients, driven by our growth in revenues, as well as lower tax payments, partially offset by an increase in operating expenditures and an increase in the amount paid for annual performance bonuses during the first quarter of 2015 compared to the first quarter of 2014.

The increase in cash provided by operations in 2014 when 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 billed and collected these unbilled

services in 2015. The increase in unbilled services was largely offset by the improved collections on billed services.

Investing Activities

Net cash used in investing activities was \$272.2 million, \$93.8 million, and \$52.7 million for the years ended December 31, 2015, 2014, and 2013, respectively.

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The use of cash in 2015 primarily consisted of \$340.0 million for purchases of businesses, \$18.6 million for purchases of property and equipment, and \$15.4 million for the purchase of convertible debt investments 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 2015 was partially offset by the net proceeds received of \$108.5 million for the sale of the Huron Legal segment in December 2015. See Note 3 "Discontinued Operations" within the notes to our consolidated financial statements for information about the sale of the Huron Legal segment.

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 convertible debt investments in Shorelight.

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.

We estimate that the cash utilized for purchases of property and equipment in 2016 will be approximately \$20.0 million, primarily consisting of information technology related equipment and leasehold improvements to support our corporate infrastructure.

Financing Activities

Net cash used in financing activities was \$90.0 million for the year ended December 31, 2015. During 2015, we borrowed \$314.0 million under our credit facility, including \$102.0 million for the Studer Group acquisition, made repayments on our credit facility of \$365.8 million, and repurchased and retired \$34.6 million of our common stock under our October 2014 Share Repurchase Program, as defined below.

Net cash provided by financing activities was \$146.2 million for the year ended December 31, 2014. During 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 \$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, as defined below, which completed the repurchase program.

Net cash used in financing activities was \$29.6 million for the year ended December 31, 2013. 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.

In October 2014, our board of directors authorized a share repurchase program pursuant to which we may, from time to time, repurchase up to \$50 million of our common stock through October 31, 2015 (the “October 2014 Share Repurchase Program”). In October 2015, our board of directors authorized an extension of the October 2014 Share Repurchase Program through October 31, 2016; and in December 2015, our board of directors increased the authorized amount to \$125 million. The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, general market and business conditions, and applicable legal requirements. No shares were repurchased under this program in 2014. During the twelve months ended December 31, 2015, we repurchased 583,880 shares at an average cost of \$59.24 per share. In February 2014, our board of directors authorized a share repurchase program permitting us to repurchase up to \$50 million of our common stock through February 28, 2015 (the “February 2014 Share Repurchase Program”). We completed the February 2014 Share Repurchase Program in October 2014.

Financing Arrangements

At December 31, 2015, we had \$250.0 million principal amount of our 1.25% convertible senior notes outstanding and \$92.0 million outstanding under our senior secured credit facility, as discussed below.

1.25% Convertible Senior Notes

In September 2014, we issued \$250 million principal amount of the Convertible Notes in a private offering. The Convertible Notes are senior unsecured obligations of the Company and will pay interest semi-annually on April 1 and

October 1 of each year at an annual rate of 1.25%. The Convertible Notes will mature on October 1, 2019, unless earlier repurchased by the Company or converted in accordance with their terms.

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

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cash and shares of common stock with the principal amount of the Convertible Notes paid in cash, in accordance with the settlement provisions of the Indenture.

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

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

For further information see Note 7 “Financing Arr