



VISION

To empower our clients, our people, and the communities we serve to **OWN THEIR FUTURE.**

MISSION

To enable organizations to improve fundamental performance, reinvent their business, generate new growth platforms, and lead their people through **TRANSFORMATIONAL CHANGE.**

VALUES

INTEGRITY

We value authenticity and honesty. We do the right thing regardless of the consequences.

IMPACT

We are passionate about making a difference and take initiative to have a lasting impact on the organizations and communities we serve.

INTELLECTUAL CURIOSITY

As lifelong learners, we explore and encourage new ideas, and challenge the status quo.

HUMILITY

While confident in our abilities, we realize that our current knowledge is but a fraction of what we have yet to learn, discover and create.

COLLABORATION

We commit to working with respect and transparency, and recognize we are better together than apart.

EXCELLENCE

We strive to excel and continually exceed the expectations of our clients and our people, holding each other accountable for our actions and outcomes.

INCLUSION

We embrace different perspectives and draw on the strength of our diversity.

A LETTER FROM THE CHIEF EXECUTIVE OFFICER AND PRESIDENT

Largely driven by technology and globalization, the pace and breadth of change has never been more significant. I frequently hear clients speak of the disruption taking place in their industries and the need for transformation as they define their path to achieve long-term success in rapidly evolving markets.

Huron is no exception. The changes taking place in our industry and in the industries we serve are acute. Our need for ongoing change does not negate our past success. Instead, it is the sign of a vibrant firm that recognizes the need for continual change as we aspire to achieve more – for ourselves and our shareholders.

**JAMES H. ROTH**Chief Executive Officer
and President

Our 2017 Performance

2017 was a challenging year for Huron, driven by further revenue declines in our healthcare segment. While we are disappointed in our overall financial performance in 2017, we made tremendous progress in repositioning this company for a return to organic growth.

Healthcare segment revenues in 2017 declined 16 percent from 2016. The year-over-year decline was primarily attributable to a reduction in revenue within our performance improvement solution, stemming in part from the roll-off of some larger engagements and, to a lesser extent, softness in our Studer Group business. Revenue and utilization grew sequentially in the fourth quarter, driven by strengthening demand for our services due to the ongoing financial pressures impacting the industry.

The changes we made throughout 2017 to accelerate the operational turnaround of our healthcare business have positioned us to be more responsive to changing market conditions. Among other initiatives, this includes an enhanced level of collaboration across all of our service lines. Our professionals are leveraging our core competencies and deep expertise in new and creative ways that are resonating with our clients as they confront the challenges of their own rapidly changing and highly competitive environment. In addition, our efforts have better equipped the healthcare business to compete across a wider spectrum of engagement sizes and durations as we have developed more flexible delivery models.

The education segment achieved organic revenue growth of 12 percent in 2017 over 2016, driven by strong performance in our technology and strategy and operations businesses. We remain well positioned for growth in this segment as higher education institutions are focused on responding to changes in student expectations and increased public scrutiny. Our clients face challenges to increase their ability to respond to cost pressures in light of increased competition, changing student demographics and reduced funding, which are driving disruption across the education industry.

and global operations, driving increased collaboration across these businesses.

The business advisory segment grew revenues 37 percent year-over-year, driven by inorganic growth from our acquisitions of Pope Woodhead and Innosight and organic growth led primarily by the ES&A business.

Our acquisition of Pope Woodhead, a United Kingdom-based market access firm, expanded our global presence of strategy and market access offerings, which enables us to meet the demands of the complex, global and highly regulated life sciences industry.

“ We are investing in and empowering our people to think and act in new ways to create their own future and shape the future of the institutions we serve. Ultimately, we will help build even stronger organizations, individuals and communities that can thrive in environments of rapid change.

The business advisory segment now comprises four businesses: our enterprise solutions and analytics, or ES&A, business, our legacy business advisory business, our strategy and innovation business and our life sciences business. The realignment of these businesses was driven by the commonalities among our client base in this segment, which predominantly consists of for-profit clients, often in global markets, in contrast to our healthcare and education businesses, which primarily serve not-for-profit and domestic clients. The business advisory segment also aligns our largest strategy capabilities

During the first quarter of 2017, we also acquired Innosight, a leading strategy and innovation firm that was co-founded by Clayton Christensen. Innosight’s strategy and innovation expertise combined with Huron’s legacy operational and industry competencies position us to help our clients transform as they strive to strengthen their business today while creating growth opportunities to drive future success.

Our Strategic Transformation

I recognize that the past few years have been challenging for Huron and our shareholders. We do not accept our recent performance

as the new normal for our business. Since the sale of our legal consulting practice in 2015, we have been shaping this company into a more integrated, competitive operating business, and in 2017, we took the next step in this evolution.

We have carefully defined the plan to achieve our vision in a new, five-year enterprise-level strategy. We believe we have the portfolio of services and collaborative, competitive spirit we need to become the premier transformation partner to our clients. Our strategy sets out to further unlock the value that we believe exists across our company, building on our competitive advantage of deep cross-practice collaboration. Our team has wholeheartedly embraced our new, unified sense of purpose and our well-defined strategic roadmap as we strive to drive long-term shareholder value through sustainable organic growth and increased profitability.

Strategic Priorities to Drive Shareholder Value

ACHIEVE SUSTAINABLE ORGANIC GROWTH

We are committed to returning this company to sustainable growth over the long term.

Today, we believe we have all of the foundational pieces in our portfolio that we need to achieve our strategy and return to long-term growth. From strategy setting to execution, we can fulfill our mission of enabling organizations to improve fundamental performance, reinvent their business, generate new growth platforms and lead their people through transformational change.

In addition, over the last several years, we have removed the historical silos that existed across our organization to better enable collaboration and improve the execution of an organic growth strategy. In 2017, the business advisory segment generated approximately 21 percent of its total revenues in the healthcare and education industries.

DRIVE MARGIN EXPANSION

We are highly focused on improving our margins and believe 2018 will be a baseline from which we can sustainably grow margins consistent with our long-term financial objectives. To achieve these objectives, we believe we can further leverage the corporate platform already in place and manage our cost structure, consistent with our strategic priorities.

Beyond leveraging corporate SG&A, we believe we can also expand our margins at the segment level. We are focused on managing our portfolio of offerings, investing in areas that generate the highest return and enhancing the profitability of our more mature offerings. We are continuously innovating our delivery models, driving increased flexibility and efficiency in the way we operate.

DEPLOY CAPITAL STRATEGICALLY

In the near term, we will deploy capital to pay down our outstanding debt. However, our strategy remains that we will continue to enhance long-term shareholder value through strategic investment and capital deployment.

We will continue to make investments in our business to accelerate organic growth. For example, in 2017, our cloud-based technology services, where we have been investing for long-term growth in recent years, performed

well, enabling us to establish a position of strength in our cloud offerings as market demand remains strong.

INVEST IN OUR PEOPLE

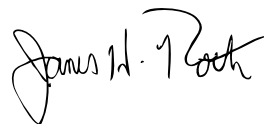
Our new unifying strategic foundation begins with our vision – to empower our clients, our people and the communities we serve to own their future. This common purpose is what the entire Huron team is aspiring and committing to, together.

We are investing in and empowering our people to think and act in new ways to create their own future and shape the future of the institutions we serve. Ultimately, we will help build even stronger organizations, individuals and communities that can thrive in environments of rapid change.

Opportunity Lies Ahead

I view 2017 as an important transition year where we redefined our strategic direction, created a unified sense of purpose and secured the commitment of our employees through a new vision, mission, set of values and modified brand positioning designed to align with our strategy. Having a strong purpose- and values-driven culture, our team has rallied around our unifying strategic foundation and is clearly excited by the opportunities that lie ahead, as am I.

We are enthusiastic about our prospects in 2018 as we begin to execute our strategy. We are focused on returning this company to sustainable organic growth and increased profitability consistent with the high expectations that all of us at Huron share with each of you.



James H. Roth

Chief Executive Officer and President

Financial & Operating Highlights

Year Ended December 31

In thousands, except for earnings per share	2013	2014	2015	2016	2017
Revenues (before reimbursable expenses)	\$538,128	\$627,686	\$699,010	\$726,272	\$732,570
Operating Income (Loss)	\$89,899	\$88,340	\$103,498	\$74,234	\$(207,456)
Operating Margin ⁽¹⁾	16.7%	14.1%	14.8%	10.2%	-28.3%
Net Income (Loss) from Continuing Operations	\$51,577	\$47,002	\$61,895	\$39,480	\$(170,505)
Income (Loss) from Discontinued Operations, Net of Tax	\$14,856	\$32,049	\$(2,843)	\$(1,863)	\$388
Net Income (Loss)	\$66,433	\$79,051	\$59,052	\$37,617	\$(170,117)
Diluted Earnings (Loss) Per Share from Continuing Operations	\$2.26	\$2.05	\$2.74	\$1.84	\$(7.95)
Diluted Earnings (Loss) Per Share	\$2.92	\$3.45	\$2.61	\$1.76	\$(7.93)
Return on Assets ⁽²⁾	8.2%	8.0%	4.8%	3.3%	-15.0%
Return on Equity ⁽³⁾	13.7%	13.7%	9.4%	5.9%	-29.7%

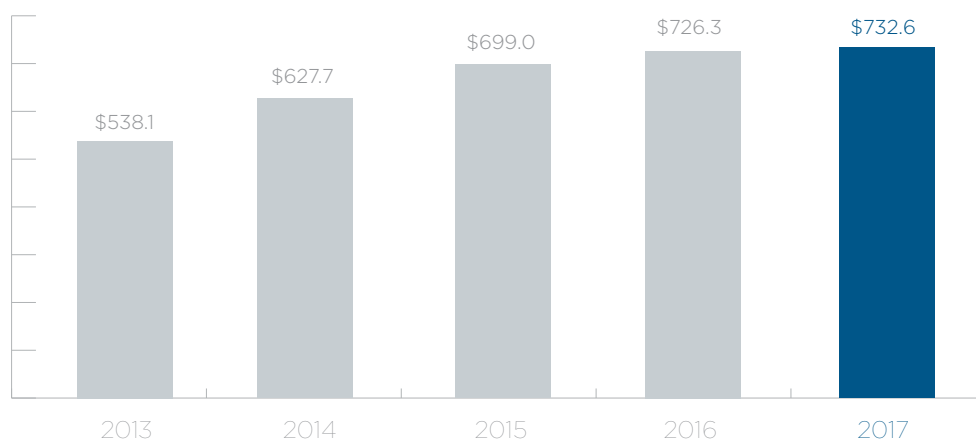
(1) Operating margin is defined as operating income expressed as a percentage of revenues.

(2) Return on assets is calculated by dividing net income by average total assets. The average total assets for the years ended December 31, 2013, 2014, 2015, 2016, and 2017 were \$809.5 million, \$989.5 million, \$1,226.2 million, \$1,148.8 million, and \$1,130.7 million, respectively.

(3) Return on equity is calculated by dividing net income by average total stockholders' equity. The average total stockholders' equity for the years ended December 31, 2013, 2014, 2015, 2016, and 2017 were \$484.9 million, \$576.9 million, \$627.4 million, \$634.5 million, and \$571.9 million, respectively.

Revenues

in millions



Note: The financial and operating information presented above is on a continuing operations basis, unless otherwise noted.

Board of Directors & Executive Team

BOARD OF DIRECTORS

John F. McCartney (1)

Non-Executive Chairman
of the Board

Board of Directors

Datatec Limited
Transco, Inc.

George E. Massaro (3)

Vice Chairman of the Board

Board of Directors

Charles River Laboratories

James H. Roth

Chief Executive Officer
and President

Board of Directors

Keypath Education Holdings, LLC
Shorelight Holdings LLC

James D. Edwards (3)

Board of Directors

Crawford & Company

Board of Trustees

CF Foundation

H. Eugene Lockhart (1, 2)

Senior Advisor

General Atlantic LLC

Chairman

MissionOG LLC

Board of Directors

Metro Bank PLC

Vice Chairman of the Board

Virginia State Council of
Higher Education

John S. Moody (1, 2)

President

Parkside Capital

Chairman of the Board

Four Corners Property Trust, Inc.

Vice Chairman of the Board

Potlatch Corporation

Board of Directors

Hines Global REIT

Chairman of the Board of Trustees

St. John's School

Hugh E. Sawyer

Chief Executive Officer

President and Director

Regis Corporation

Board of Directors

JHT Holdings, Inc.

Debra Zumwalt (2, 3)

Vice President and General Counsel

Stanford University

Board of Directors

Exponent, Inc.

Academy of Art University

Board of Trustees

American University of Afghanistan

EXECUTIVE TEAM

James H. Roth

Chief Executive Officer,
President and Director

C. Mark Hussey

Executive Vice President
and Chief Operating Officer

John D. Kelly

Executive Vice President,
Chief Financial Officer
and Treasurer

Diane E. Ratekin

Executive Vice President,
General Counsel and
Corporate Secretary

Committees: (1) Audit, (2) Compensation, (3) Nominating and Corporate Governance

Board of Directors and Executive Team as of February 8, 2018.

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, 2017

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)

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

550 West Van Buren Street

Chicago, Illinois 60607

(Address of principal executive offices and zip code)

(312) 583-8700

(Registrant's telephone number, including area code)

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

Title of each class

Common Stock, par value \$0.01 per share

Name of each exchange on which registered

NASDAQ Global Select Market

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$934,900,000.

As of February 21, 2018, 22,180,119 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.

HURON CONSULTING GROUP INC.
ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2017

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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," "believes," "estimates," "plans," "continues," or "outlook," or similar expressions. These forward-looking statements reflect our current expectations about our future requirements and needs, results, levels of activity, performance, or achievements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: failure to achieve expected utilization rates, billing rates, and the number of revenue-generating professionals; inability to expand or adjust our service offerings in response to market demands; our dependence on renewal of client-based services; dependence on new business and retention of current clients and qualified personnel; failure to maintain third-party provider relationships and strategic alliances; inability to license technology to and from third parties; the impairment of goodwill; various factors related to income and other taxes; difficulties in successfully integrating the businesses we acquire and achieving expected benefits from such acquisitions; risks relating to privacy, information security, and related laws and standards; and a general downturn in market conditions. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, including, among others, those described under Item 1A. "Risk Factors," 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 committed to achieving sustainable results in partnership with its clients. We bring a depth of expertise in strategy, technology, operations, advisory services, and analytics to drive lasting and measurable results in the healthcare, higher education, life sciences and commercial sectors.

Huron is headquartered in Chicago, Illinois, with additional locations in the United States in California, Colorado, the District of Columbia, Florida, Massachusetts, New York, Oregon, Texas, and Wisconsin and abroad in Canada, India, Saudi Arabia, Singapore, Switzerland, the United Arab Emirates, and the United Kingdom.

2017 Acquisitions

Pope Woodhead and Associates Limited

On January 9, 2017, we completed our acquisition of Pope Woodhead and Associates Limited ("Pope Woodhead"), a U.K.-based consulting firm providing market access capabilities to assist clients in developing value propositions for innovative medicines and technologies. The acquisition expands our life sciences strategy expertise and strengthens our ability to lead clients through complex payer and regulatory environments. Pope Woodhead's results of operations have been included in our consolidated financial statements and results of operations of our Business Advisory segment from the date of acquisition.

Innosight Holdings, LLC

On March 1, 2017, we completed our acquisition of Innosight Holdings, LLC ("Innosight"), a growth strategy firm focused on helping companies navigate disruptive change, enable innovation, and manage strategic transformation. Together with Innosight, we use our strategic, operational, and technology capabilities to help clients across multiple industries develop pioneering solutions to address disruption and achieve sustained growth. Innosight's results of operations have been included in our consolidated financial statements and results of operations of our Business Advisory segment from the date of acquisition.

ADI Strategies, Inc. (International)

On April 1, 2017, we completed our acquisition of the international assets of ADI Strategies, Inc. ("ADI Strategies") in Dubai and India. We acquired the U.S. assets of ADI Strategies in the second quarter of 2016. ADI Strategies is a leading enterprise performance management, risk management and business intelligence firm. The acquisition strengthens our technology and analytics competencies and expands our

global reach. The international results of operations of ADI Strategies have been included in our consolidated financial statements and results of operations of our Business Advisory segment from the date of acquisition.

Refer to Note 4 "Acquisitions" within our consolidated financial statements for further information on our recent acquisitions.

2017 Divestiture

Life Sciences Compliance and Operations

During the second quarter of 2017, we divested our Life Sciences Compliance and Operations practice ("Life Sciences C&O"), which was part of our broader Life Sciences practice within the Business Advisory segment. The sale of Life Sciences C&O did not meet the criteria for reporting separately as discontinued operations. Refer to Note 5 "Goodwill and Intangible Assets" within our consolidated financial statements for further information on the sale.

OUR SERVICES

We provide professional services through three operating segments: Healthcare, Education, and Business Advisory. For the year ended December 31, 2017, we derived 49%, 23%, and 28% of our revenues from Healthcare, Education, and Business Advisory, respectively.

During the second quarter of 2017, we reorganized our internal financial reporting structure, which management uses to assess performance and allocate resources, by moving our Life Sciences practice from the Education and Life Sciences segment to the Business Advisory segment. The remaining Education and Life Sciences segment is now referred to as the Education segment. While our consolidated results have not been impacted, we have reclassified our historical segment information for consistent presentation.

For further financial information on our segment results, refer to 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.

Healthcare

Our Healthcare segment has a depth of expertise in strategy and innovation, care transformation, financial and operational excellence, technology and analytics, and leadership development. We serve national and regional hospitals and integrated health systems, academic medical centers, community hospitals, and medical groups. Our solutions help clients evolve and adapt to the rapidly changing healthcare environment and achieve growth, optimize performance, enhance profitability, improve quality and clinical outcomes, and drive physician, patient, and employee engagement across the enterprise.

We help organizations transform and innovate the delivery model to focus on patient wellness by improving quality outcomes, minimizing care variation and fundamentally improving patient and population health. Our consultants partner with clients to help build and sustain today's business to invest in the future by reducing complexity, improving operational efficiency and growing market share. We enable the healthcare of the future by identifying, integrating and optimizing technology investments to collect data that transforms care delivery and improves patient outcomes. We also develop future leaders capable of driving meaningful operational and organizational change and who transform the patient experience.

Education

Our Education segment provides management consulting and technology solutions to higher education institutions and academic medical centers to address challenges relating to business and technology strategy, financial management, operational and organizational effectiveness, research administration, and regulatory compliance.

Our institutional strategy, market research, budgeting and financial management, business operations and student lifecycle management solutions align missions with business priorities, improve quality and reduce costs institution-wide. Our technology strategy, enterprise applications, and analytic solutions transform and optimize operations, deliver time and cost savings, and enhance the student experience. Our research enterprise solutions assist clients in identifying and implementing institutional research strategy, optimizing clinical research operations, improving financial management and cost reimbursement, improving service to faculty, and mitigating risk compliance. Huron is a Platinum level member of the Oracle PartnerNetwork (OPN), a Workday Services Partner and a Gold level consulting partner with Salesforce.com.

Business Advisory

Our Business Advisory segment provides services to large and middle market organizations, not-for-profit 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 as well as creditors, equity owners and other key constituents.

This segment's primary service lines include:

- **Enterprise Solutions and Analytics.** Our Enterprise Solutions and Analytics professionals deliver technology and analytic solutions that enable organizations to manage and optimize their financial performance, operational efficiency, and client or stakeholder experience. Our expertise in full-service enterprise performance management (EPM), enterprise resource planning (ERP), business intelligence and analytics, customer relationship management (CRM), and data management services helps clients identify and execute on business and technology strategies to drive results and gain a competitive advantage. Huron is a Platinum level member of the Oracle PartnerNetwork (OPN), a Workday Services Partner, and a Gold level consulting partner with Salesforce.com.
- **Business Advisory.** Our Business Advisory professionals resolve complex business issues and enhance 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 advisory services to assist clients in making informed decisions for transaction, tax or litigation purposes. Securities transactions are handled by our registered broker-dealer, Huron Transaction Advisory LLC, a member of FINRA.
- **Strategy and Innovation.** Our Strategy and Innovation professionals collaborate with clients across a range of industries to achieve repeatable business growth and innovation. We help organizations identify new growth opportunities, build new ventures and capabilities, and accelerate organizational change.
- **Life Sciences.** Our Life Sciences professionals provide strategic solutions to help pharmaceutical, medical device, and biotechnology companies deliver more value to patients, payers, and providers and comply with regulations. We advise clients in the areas of corporate and financial strategy, compliance and operations, reimbursement and access strategy, commercial contracting strategy, R&D and product strategy commercial segmentation, fair market value analysis, lifecycle management, litigation and investigations, government pricing and transparency reporting, auditing and monitoring, and overall business process improvement.

OUR CLIENTS AND INDUSTRIES

We provide professional services to a wide variety of both financially sound and distressed organizations, including healthcare organizations, leading academic and research institutions, large and mid-sized companies, and governmental entities. In 2017, we served over 1,300 clients, including over 300 new clients.

Our clients are in a broad array of industries, including healthcare, education, pharmaceutical and medical device, financial services, energy and utilities, retail, aerospace, automotive, technology, telecommunications, consumer products, governmental, metals and mining, engineering and construction, hospitality and gaming, logistics, and manufacturing.

EMPLOYEES

Our success depends on our ability to attract, engage, and develop highly talented professionals by creating a work environment where employees and teams thrive and individuals are rewarded not only for their own contributions but also for the success of our organization. To accomplish these goals, we focus on every facet of the employee lifecycle beginning with the recruiting process through post-employment or retirement to ensure the employee experience is engaging and impactful. We have developed comprehensive programs incorporating training and development opportunities beginning with the onboarding process and continuing through one's career journey. We provide a competitive total rewards package including benefits that tailor to the needs of our employee population. Our commitment to corporate social responsibility is facilitated through our Huron Helping Hands program and the Diversity and Inclusion council.

Our employee population is divided into two groups: client-serving and support. As of December 31, 2017, we had 3,083 full-time employees, including 142 client-serving managing directors. Our client-serving employees serve as critical business advisors collaborating with clients to help solve their most complex business problems. Our managing directors are the key drivers of growth in our business, generating new revenue streams from existing and new clients. They enhance our market reputation by partnering with clients as advisors and engagement team leaders. Internally, they create our intellectual capital, develop our people, and foster our culture. Our senior directors, directors, and managers manage day-to-day client relationships, develop our people, 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 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, 2017, our support team was led by 23 managing directors, executives and corporate vice presidents.

In addition to our full-time client-serving employees, we engage contractors on an as-needed basis to provide unique skill sets that are not required to be staffed on a full-time basis.

Supporting our professionals' career progression is critical to our employee retention and engagement. As part of our onboarding process, our learning and organizational effectiveness team facilitates a robust and structured training curriculum for newly hired employees to help develop and integrate them more effectively into the company. Leadership development programs are offered to recently promoted employees to support their transition to and success in a new role with broader responsibility. In addition to these milestone programs, we offer a variety of leadership development for those we deem capable of taking on broader roles in the organization. We also provide a variety of continuing education opportunities to all of our employees, including formal classroom environments, online courses, and webinars to further develop employees' capabilities including technical knowledge, people skills, team dynamics and coaching and developing 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 regularly, including identifying opportunities for professional development, formal training and technical skill certifications.

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

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

Managing directors' individual compensation levels, including base 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 build wealth over a managing director's career at Huron through annual grants as well as stock price appreciation.

Our benefit programs are designed to be both comprehensive and tailored to the needs of our employee population, such as a paid time off policy that allows for flexibility and a travel reward program which recognizes the significant travel commitment of our client-serving workforce. Our wellness benefits are aimed at encouraging employees to be aware of their current state of health and providing various tools and resources 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 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 that provide corporate-wide educational opportunities, build awareness, celebrate our differences, develop mentoring relationships, and ensure we are fostering a welcoming and engaging environment for all employees.

BUSINESS DEVELOPMENT AND MARKETING

Our business development and marketing activities are aimed at cultivating relationships, generating leads, and building a strong brand reputation with hospital, health system, and university administrators; offices of the C-suite; and senior level influencers and decision makers of middle market and large corporate organizations. We believe 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 new business opportunities through the combination of relationships our managing directors have with individuals working in healthcare organizations, academic and research institutions, and corporations, and marketing lead generation activities. We also view cross-selling as a key component in building our business. Often, the client relationship of a managing director in one area of our business leads to opportunities in another area. All of our managing directors understand their roles 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 professional services industry is extremely competitive, highly fragmented, and constantly evolving. 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 vary, depending on the particular practice area, and we expect to continue to face competition from new market 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. Some competitors have a greater geographic footprint, broader international presence, and more resources than we do, but we believe our reputation and ability to deliver high-value, quality service and measurable results to our clients across a balanced portfolio of services and attract and retain employees with broad capabilities and deep industry expertise enable us to compete favorably in the professional services 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 the investor relations page of our website, www.huronconsultinggroup.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The content posted on our website is not incorporated by reference into this report or any other reports filed with, or furnished 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.

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;
- 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 acquisitions have been 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 a non-cash impairment charge in our statement of earnings. 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.

Our goodwill and other intangible assets represent a substantial amount of our total assets, and we may be required to recognize a non-cash impairment charge for these assets if the performance of one or more of our reporting units falls below our expectations.

Our total assets reflect a substantial amount of intangible assets, primarily goodwill. At December 31, 2017, goodwill and other intangible assets totaled \$718.1 million, or 69%, of our total assets. Goodwill results from our acquisitions, representing the excess of the fair value of consideration transferred over the fair value of the net assets acquired. We test goodwill for impairment at the reporting unit level, annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Intangible assets other than goodwill represent purchased assets that lack physical substance but can be distinguished from goodwill. Our intangible assets primarily consist of customer relationships, trade names, customer contracts, technology and software, non-competition agreements, and publishing content, all of which were acquired through business combinations. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No impairment charges for intangible assets were recorded in 2017.

During 2017, we recorded \$253.1 million of non-cash goodwill impairment charges. As further explained in the following paragraphs, of the \$253.1 million, \$208.1 million related to our Healthcare reporting unit and \$45.0 million related to our Enterprise Solutions and Analytics reporting unit which is included in our Business Advisory segment.

During the second quarter of 2017, we performed a goodwill impairment analysis for our Healthcare reporting unit as our Healthcare business had experienced a prolonged period of declining revenues, primarily driven by softness in our revenue cycle offering within our performance improvement solution. This softness was attributable to decreased demand for our services, the winding down of some of our larger projects, and a trend toward smaller projects, as well as fewer large integrated projects. In light of these challenges, several initiatives have been undertaken to improve the segment's financial performance, including repositioning our solutions to address the most critical needs of our clients, the expansion of our existing services such as those in our Studer Group, strategy, physician and technology offerings, and workforce reductions to better align resources with market demand. While the initiatives undertaken to improve the financial performance of our Healthcare segment began yielding some positive impacts, hospitals and health systems continued to face regulatory and funding uncertainty; therefore, we remained cautious about near-term growth. As we had previously disclosed in prior quarters, if the financial performance of our Healthcare segment continued to decline and did not meet our expectations, we could be required to perform an interim impairment analysis with respect to our carrying value of goodwill for the Healthcare reporting unit prior to our usual annual test. Based on forecasts prepared in the second quarter of 2017 in connection with our quarterly forecasting cycle, we determined that the likely time frame to improve the financial results of this segment would take longer than originally anticipated. As such, we concluded, during the second quarter of 2017, that the fair value of the Healthcare reporting unit may have no longer exceeded its carrying value. In connection with the preparation of our financial statements for the quarter ended June 30, 2017, we performed an interim impairment test on the Healthcare reporting unit. Based on the estimated fair value of the Healthcare reporting unit, we recorded a \$208.1 million non-cash pretax goodwill impairment charge to reduce the carrying value of goodwill in our Healthcare reporting unit.

Our Enterprise Solutions and Analytics reporting unit was established with the acquisition of Blue Stone International, LLC in 2013. Since that time, we completed five additional business acquisitions within the reporting unit, most recently the acquisitions of the U.S. assets and international assets of ADI Strategies in May 2016 and April 2017, respectively. We record the assets acquired and liabilities assumed in business combinations, including identifiable intangible assets, at their estimated fair values as of the acquisition date, and goodwill is recorded as the excess of the fair value of consideration transferred, including any contingent consideration, over the fair value of the net assets acquired. Therefore, the initial accounting for an acquisition results in its fair value equaling its carrying value. As we have previously disclosed in prior quarters, due to this reporting unit's relatively low headroom, in the event that the financial performance of the reporting unit did not meet our expectations during 2017, we could be required to take a non-cash impairment charge as a result of any goodwill impairment test. During the first three quarters of 2017, the performance of Enterprise Solutions and Analytics continued to reasonably meet our expectations. However, both revenues and operating margin during the fourth quarter of 2017 fell short of our expectations resulting in a reduction in workforce within the reporting unit during that quarter. Further, in connection with our annual budget process for 2018, which coincided with our annual goodwill impairment test during the fourth quarter of 2017, we determined that the reporting unit's expected future revenue growth rates and operating margin would be lower than previously anticipated for this reporting unit. As a result, our goodwill impairment test indicated that the fair value of the Enterprise Solutions and Analytics reporting unit no longer exceeded its carrying value, and we recorded a \$45.0 million non-cash pretax charge to write-off the entire carrying value of this reporting unit's goodwill during the fourth quarter of 2017.

The Life Sciences reporting unit has also been established primarily through recent business acquisitions: The Frankel Group Associates LLC in January 2014 and Pope Woodhead in January 2017. As discussed above, goodwill is recorded for such business acquisitions as the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed, resulting in the fair value equaling the carrying value at the acquisition date. Based on the results of our annual goodwill impairment test as of November 30, 2017, the Life Sciences reporting unit's fair value exceeded its carrying value by 14%. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods.

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

Refer to “Critical Accounting Policies” within Part I - Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 5 “Goodwill and Intangible Assets” within the notes to our consolidated financial statements for further discussion of our business combinations, goodwill, intangible assets, and impairment tests performed in 2017.

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, or regulatory and business environment could have on our operations.

Changes in U.S. tax laws could have a material adverse effect on our business, cash flow, results of operations and financial conditions.

We are subject to income and other taxes in the U.S. at the state and federal level and also in foreign jurisdictions. Changes in applicable U.S. state, federal or foreign tax laws and regulations, or their interpretation and application, could materially affect our tax expense and profitability.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (“2017 Tax Reform”), a tax reform bill which contains significant changes to corporate taxation, including a reduction in the current corporate federal income tax rate from 35% to 21%, additional limitations on the tax deductibility of interest, substantial changes to the taxation of foreign earnings, and modification or repeal of many business deductions and credits. The changes included in the 2017 Tax Reform are broad and complex. The final transition impact of the 2017 Tax Reform may differ materially from our current estimates due to, among other things, additional regulatory and interpretive guidance, as well as any statutory technical corrections that are subsequently enacted.

The 2017 Tax Reform, or any related, similar or amended legislation or other changes in U.S. federal income tax laws, could adversely affect the U.S. federal income taxation of our ongoing operations. Any such changes and related consequences could have a material adverse impact on our financial results.

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 3,083 as of December 31, 2017. 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.

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 engagements in the government sector, which are subject to federal contracting regulations;
- 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 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, 2017, 2016, and 2015, was 4.9%, 8.9%, and 8.7%, 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, 2017, 2016, and 2015, fixed-fee engagements represented 46.7%, 47.4%, and 58.0% of our revenues, respectively.

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. 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.

Adverse changes to our relationships with key third-party vendors, or in the business of our key third-party vendors, could unfavorably impact our business.

A portion of our services and solutions depend on technology or software provided by third-party vendors. Some of these third-party vendors refer potential clients to us, and others require that we obtain their permission prior to accessing their software while performing services for our clients. These third-party vendors could terminate their relationship with us without cause and with little or no notice, which could limit our service offerings and harm our financial condition and operating results. In addition, if a third-party vendor's business changes or is reduced, that could adversely affect our business. Moreover, if third-party technology or software that is important to our business does not continue to be available or utilized within the marketplace, or if the services that we provide to clients is no longer relevant in the marketplace, our business may be unfavorably impacted.

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;
- 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, 2017, we had outstanding indebtedness of \$250 million principal amount of our 1.25% convertible senior notes due October 1, 2019, \$105.0 million on our revolving line of credit that becomes due and payable in full upon maturity on March 31, 2020, and \$4.9 million principal amount of our promissory note due March 1, 2024. Our ability to make scheduled payments of the principal, to pay interest, to make payments upon conversion, or to refinance our indebtedness, depends on our future performance. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our current indebtedness and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our current indebtedness or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the current indebtedness or future indebtedness.

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

- expose us to the risk of increased interest rates because some of our borrowings are at variable interest rates;
- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulation;

- 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 non-cash 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 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 and “Huron” brand 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;
- 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. Uncertainty in any of these areas could cause our clients to delay or postpone decisions to use our services. 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, and continue to consider further significant reforms. Due to the significant implementation issues arising under these laws and potential new legislation, 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 new 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). Furthermore, as a result of the 2016 election and the new presidential administration, there is an increased uncertainty surrounding the future of the Affordable Care Act and the regulation of the healthcare industry, and therefore healthcare organizations may wait to buy services such as ours until the regulatory environment is more certain.

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 10 largest clients accounted for approximately 19.5%, 28.8%, and 29.9% of our revenues for the years ended December 31, 2017, 2016, and 2015, respectively. No single client accounted for more than 10% of our revenues in 2017, 2016, or 2015. Our clients typically retain us on an engagement-by-engagement basis, rather than under fixed-term contracts. The volume of work performed for any particular client is likely to vary from year to year, and a major client in one fiscal period may not require or may decide not to use our services in any subsequent fiscal period. Moreover, a large portion of our new engagements comes from existing clients. Accordingly, the failure to obtain new large engagements or multiple engagements from existing or new clients could have a material adverse effect on the amount of revenues we generate.

In addition, almost all of our engagement agreements can be terminated by our clients with little or no notice and without penalty. 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 the client's competitors or adversaries. Moreover, in many industries in which we provide services, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of companies that may seek our services and increase the chances that we will be unable to accept new engagements as a result of conflicts of interest. If we are unable to accept new engagements for any reason, our consultants may become underutilized, which would adversely affect our revenues and results of operations in future periods.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

As of December 31, 2017, our principal executive offices in Chicago, Illinois, consisted of approximately 134,000 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 our practices.

Additionally, we occupy leased facilities for our other domestic and international offices, including those located in the following cities: Boston, Massachusetts; Buffalo, New York; Dallas, Texas; Denver, Colorado; Houston, Texas; Madison, Wisconsin; New York City, New York; Pensacola, Florida; Portland, Oregon; San Francisco, California; Washington, D.C.; Bangalore, India; Dubai, United Arab Emirates; London, United Kingdom; Luasanne, Switzerland; Riyadh, Saudi Arabia; Singapore; St. Ives, United Kingdom; 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.

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 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.

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
2016		
First Quarter	\$ 60.00	\$ 46.00
Second Quarter	\$ 62.34	\$ 54.14
Third Quarter	\$ 65.00	\$ 57.23
Fourth Quarter	\$ 60.64	\$ 41.20
2017		
First Quarter	\$ 49.25	\$ 39.15
Second Quarter	\$ 46.85	\$ 40.50
Third Quarter	\$ 43.70	\$ 29.53
Fourth Quarter	\$ 42.50	\$ 32.40

Holders

As of February 21, 2018, there were 486 registered holders of record of Huron's common stock. A number of Huron'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

Our Stock Ownership Participation Program, 2012 Omnibus Incentive Plan, and 2004 Omnibus Stock Plan, which was replaced by the 2012 Omnibus Incentive Plan, permit the netting of common stock upon vesting of restricted stock awards to satisfy individual tax withholding requirements. During the quarter ended December 31, 2017, we reacquired 9,832 shares of common stock with a weighted average fair market value of \$40.28 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 \$125 million of our common stock and which expires on October 31, 2018 (the "Share Repurchase Program"). The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, capacity under our line of credit, general market and business conditions, and applicable legal requirements.

The following table provides information with respect to purchases we made of our common stock during the fourth quarter of 2017.

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, 2017 – October 31, 2017	354	\$ 35.85	—	\$ 35,143,546
November 1, 2017 – November 30, 2017	—	\$ —	—	\$ 35,143,546
December 1, 2017 – December 31, 2017	9,478	\$ 40.45	—	\$ 35,143,546
Total	<u>9,832</u>	<u>\$ 40.28</u>	<u>—</u>	

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

(2) As of the end of the period.

ITEM 6. SELECTED FINANCIAL DATA.

We have derived the following selected consolidated financial data as of and for the years ended December 31, 2013 through 2017 from our consolidated financial statements. The following data reflects the business acquisitions that we have completed through December 31, 2017. The results of operations for acquired businesses have been included in our results of operations since the date of their acquisitions. See Note 4 "Acquisitions" within the notes to our consolidated financial statements for additional information regarding our acquisitions. The following data also reflects the classification of discontinued operations. See Note 3 "Discontinued Operations" within the notes to our consolidated financial statements for additional information regarding 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 (in thousands, except per share data):	Year Ended December 31,				
	2017	2016	2015	2014	2013
Revenues and reimbursable expenses:					
Revenues	\$ 732,570	\$ 726,272	\$ 699,010	\$ 627,686	\$ 538,128
Reimbursable expenses	75,175	71,712	70,013	73,847	64,623
Total revenues and reimbursable expenses	807,745	797,984	769,023	701,533	602,751
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses) ⁽¹⁾:					
Direct costs	454,806	437,556	401,915	384,277	323,398
Amortization of intangible assets and software development costs	10,932	15,140	16,788	4,590	2,660
Reimbursable expenses	75,436	71,749	69,932	73,855	64,665
Total direct costs and reimbursable expenses	541,174	524,445	488,635	462,722	390,723
Operating expenses and other losses (gains), net:					
Selling, general and administrative expenses	175,364	160,204	157,902	132,799	116,976
Restructuring charges	6,246	9,592	3,329	2,811	305
Litigation and other (gains) losses, net	1,111	(1,990)	(9,476)	(590)	(5,875)
Depreciation and amortization ⁽¹⁾	38,213	31,499	25,135	15,451	10,723
Goodwill impairment charges	253,093	—	—	—	—
Total operating expenses and other losses (gains), net	474,027	199,305	176,890	150,471	122,129
Operating income (loss)	(207,456)	74,234	103,498	88,340	89,899
Other income (expense), net:					
Interest expense, net of interest income	(18,613)	(16,274)	(18,136)	(8,679)	(6,475)
Other income (expense), net	3,565	1,197	(1,797)	400	353
Total other expense, net	(15,048)	(15,077)	(19,933)	(8,279)	(6,122)
Income (loss) from continuing operations before taxes	(222,504)	59,157	83,565	80,061	83,777
Income tax expense (benefit)	(51,999)	19,677	21,670	33,059	32,200
Net income (loss) from continuing operations	(170,505)	39,480	61,895	47,002	51,577
Income (loss) from discontinued operations, net of tax	388	(1,863)	(2,843)	32,049	14,856
Net income (loss)	<u>\$ (170,117)</u>	<u>\$ 37,617</u>	<u>\$ 59,052</u>	<u>\$ 79,051</u>	<u>\$ 66,433</u>

Consolidated Statements of Operations
(in thousands, except per share data):

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net earnings (loss) per basic share:					
Net income (loss) from continuing operations	\$ (7.95)	\$ 1.87	\$ 2.80	\$ 2.10	\$ 2.31
Income (loss) from discontinued operations, net of tax	0.02	(0.09)	(0.13)	1.42	0.67
Net income (loss)	\$ (7.93)	\$ 1.78	\$ 2.67	\$ 3.52	\$ 2.98
Net earnings (loss) per diluted share:					
Net income (loss) from continuing operations	\$ (7.95)	\$ 1.84	\$ 2.74	\$ 2.05	\$ 2.26
Income (loss) from discontinued operations, net of tax	0.02	(0.08)	(0.13)	1.40	0.66
Net income (loss)	\$ (7.93)	\$ 1.76	\$ 2.61	\$ 3.45	\$ 2.92
Weighted average shares used in calculating net earnings (loss) per share:					
Basic	21,439	21,084	22,136	22,431	22,322
Diluted	21,439	21,424	22,600	22,925	22,777

Consolidated Balance Sheet Data
(in thousands):

	As of December 31,				
	2017	2016	2015	2014	2013
Cash and cash equivalents	\$ 16,909	\$ 17,027	\$ 58,437	\$ 256,872	\$ 58,131
Working capital	\$ 51,828	\$ 44,314	\$ 96,966	\$ 307,978	\$ 98,394
Total assets	\$ 1,036,928	\$ 1,153,215	\$ 1,159,543	\$ 1,148,475	\$ 883,223
Long-term debt, net of current portion	\$ 342,507	\$ 292,065	\$ 307,376	\$ 320,413	\$ 141,421
Total stockholders' equity ⁽²⁾	\$ 503,316	\$ 648,033	\$ 652,325	\$ 600,634	\$ 530,264

- (1) Intangible asset amortization relating to customer contracts, certain client relationships, and software and 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) 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the information under Part II—Item 6. "Selected Financial Data," and our Consolidated Financial Statements and related notes appearing under Part II—Item 8. "Financial Statements and Supplementary Data." The following MD&A 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 committed to achieving sustainable results in partnership with its clients. We bring a depth of expertise in strategy, technology, operations, advisory services, and analytics to drive lasting and measurable results in the healthcare, higher education, life sciences and commercial sectors.

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

How We Generate Revenues

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

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

We generate 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 46.7%, 47.4%, and 58.0% of our revenues for the years ended December 31, 2017, 2016, and 2015, respectively.

Time-and-expense billing arrangements require the client to pay based on the number of hours worked by our revenue-generating professionals at agreed upon rates. Time-and-expense arrangements also include certain speaking engagements, conferences, and publications 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 43.0%, 38.7%, and 28.7% of our revenues in 2017, 2016, and 2015, respectively.

In performance-based fee billing arrangements, fees are tied to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, we generally earn fees that are directly related to the savings formally acknowledged by the client as a result of adopting our recommendations for improving operational and cost effectiveness in the areas we review. Second, we have performance-based engagements in which we earn a success fee when and if certain predefined outcomes occur. Often, performance-based fees supplement our time-and-expense or fixed-fee engagements. We do not recognize revenues under performance-based billing arrangements until all related performance criteria are met. Performance-based fee revenues represented 4.9%, 8.9%, and 8.7% of our revenues in 2017, 2016, and 2015, respectively. 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.

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 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 5.4%, 5.0%, and 4.6% of our revenues in 2017, 2016, and 2015, respectively.

Refer to Note 2 "Summary of Significant Policies" for anticipated changes to our revenue recognition accounting policy upon adoption of Accounting Standards Update 2014-09 *Revenue from Contracts with Customers* effective January 1, 2018.

Our quarterly results are impacted principally by our full-time consultants' utilization rate, the billing rates we charge our clients, the number of our revenue-generating professionals who are available to work, and the amount of performance-based fees recognized, which often vary significantly between quarters. Our utilization rate can be negatively affected by increased hiring because there is generally a transition period for new professionals that results in a temporary drop in our utilization rate. Our utilization rate can also be affected by seasonal variations in the demand for our services from our clients. For example, during the third and fourth quarters of the year, vacations taken by our clients can result in the deferral of activity on existing and new engagements, which would negatively affect our utilization rate. The number of business work days is also affected by the number of vacation days taken by our consultants and holidays in each quarter. We typically have fewer business work days available in the fourth quarter of the year, which can impact revenues during that period.

Time-and-expense engagements do not provide us with a high degree of predictability as to performance in future periods. Unexpected changes in the demand for our services can result in significant variations in utilization and revenues and present a challenge to optimal hiring and staffing. Moreover, our clients typically retain us on an engagement-by-engagement basis, rather than under long-term recurring contracts. The volume of work performed for any particular client can vary widely from period to period.

Reimbursable Expenses

Reimbursable expenses that are billed to clients, primarily relating to travel and out-of-pocket expenses incurred in connection with engagements, are included in total revenues and reimbursable expenses, and typically an equivalent amount of these expenses are included in total direct costs and reimbursable expenses. Reimbursable expenses also include subcontractors who are billed to our clients at cost. When billings do not specifically identify reimbursable expenses, we allocate the portion of the billings equivalent to these expenses to reimbursable expenses. We manage our business on the basis of revenues before reimbursable expenses, which we believe 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, signing and retention bonuses, payroll taxes, and benefits for revenue-generating professionals, as well as commissions, technology costs, product and event 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 straight-line attribution method or the graded vesting attribution method, as appropriate, over the requisite service period, which is generally three to four years. Total direct costs also include amortization of intangible assets, primarily relating to customer contracts, certain customer relationships, and technology and software acquired in business combinations, and internally developed software costs.

Operating Expenses and Other Losses (Gains), Net

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. Also included in operating expenses 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 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, 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.

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.

During the second quarter of 2017, we reorganized our internal financial reporting structure by moving our Life Sciences practice from the Education and Life Sciences segment to the Business Advisory segment. The remaining Education and Life Sciences segment is now referred to as the Education segment. While our consolidated results have not been impacted, we have reclassified our historical segment information for consistent presentation.

During 2015, we wound down the businesses within our All Other operating segment, which consisted of our public sector consulting practice and our foreign consulting operations based in the Middle East. We did not generate any revenues from our All Other segment during 2016 and 2017.

	Year Ended December 31,		
	2017	2016	2015
Segment and Consolidated Operating Results (in thousands):			
Healthcare:			
Revenues	\$ 356,909	\$ 424,912	\$ 446,887
Operating income	\$ 118,761	\$ 147,903	\$ 169,560
Segment operating income as a percentage of segment revenues	33.3%	34.8%	37.9%
Education:			
Revenues	\$ 167,908	\$ 149,817	\$ 134,009
Operating income	\$ 40,318	\$ 38,310	\$ 32,246
Segment operating income as a percentage of segment revenues	24.0%	25.6%	24.1%
Business Advisory:			
Revenues	\$ 207,753	\$ 151,543	\$ 116,892
Operating income	\$ 46,600	\$ 29,382	\$ 31,233
Segment operating income as a percentage of segment revenues	22.4%	19.4%	26.7%
All Other:			
Revenues	\$ —	\$ —	\$ 1,222
Operating loss	\$ —	\$ —	\$ (1,718)
Segment operating loss as a percentage of segment revenues	N/A	N/A	N/M
Total Company:			
Revenues	\$ 732,570	\$ 726,272	\$ 699,010
Reimbursable expenses	75,175	71,712	70,013
Total revenues and reimbursable expenses	<u>\$ 807,745</u>	<u>\$ 797,984</u>	<u>\$ 769,023</u>
Statements of Operations reconciliation:			
Segment operating income	\$ 205,679	\$ 215,595	\$ 231,321
Items not allocated at the segment level:			
Other operating expenses	120,718	111,852	112,164
Litigation and other losses (gains), net	1,111	(1,990)	(9,476)
Depreciation and amortization	38,213	31,499	25,135
Goodwill impairment charges ⁽¹⁾	253,093	—	—
Total operating income (loss)	(207,456)	74,234	103,498
Other expense, net	15,048	15,077	19,933
Income (loss) from continuing operations before taxes	(222,504)	59,157	83,565
Income tax expense (benefit)	(51,999)	19,677	21,670
Net income (loss) from continuing operations	<u>\$ (170,505)</u>	<u>\$ 39,480</u>	<u>\$ 61,895</u>
Earnings (loss) per share from continuing operations			
Basic	\$ (7.95)	\$ 1.87	\$ 2.80
Diluted	\$ (7.95)	\$ 1.84	\$ 2.74

	Year Ended December 31,		
	2017	2016	2015
Other Operating Data (excluding All Other):			
Number of full-time billable consultants (at period end) ⁽²⁾:			
Healthcare	778	888	1,037
Education	549	468	387
Business Advisory	809	547	397
Total	2,136	1,903	1,821
Average number of full-time billable consultants (for the period) ⁽²⁾:			
Healthcare	796	998	1,085
Education	509	437	351
Business Advisory	740	486	334
Total	2,045	1,921	1,770
Full-time billable consultant utilization rate ⁽³⁾:			
Healthcare	78.4%	77.1%	77.9%
Education	72.8%	70.6%	74.6%
Business Advisory	71.7%	73.1%	76.2%
Total	74.5%	74.6%	76.9%
Full-time billable consultant average billing rate per hour ⁽⁴⁾:			
Healthcare	\$ 206	\$ 210	\$ 217
Education	\$ 213	\$ 219	\$ 216
Business Advisory ⁽⁵⁾	\$ 193	\$ 208	\$ 245
Total	\$ 203	\$ 212	\$ 222
Revenue per full-time billable consultant (in thousands):			
Healthcare	\$ 295	\$ 300	\$ 313
Education	\$ 291	\$ 293	\$ 317
Business Advisory	\$ 268	\$ 293	\$ 335
Total	\$ 284	\$ 297	\$ 318
Average number of full-time equivalents (for the period) ⁽⁶⁾:			
Healthcare	213	203	179
Education	35	38	39
Business Advisory	20	20	12
Total	268	261	230
Revenue per full-time equivalent (in thousands):			
Healthcare	\$ 576	\$ 614	\$ 604
Education	\$ 564	\$ 572	\$ 587
Business Advisory	\$ 464	\$ 453	\$ 418
Total	\$ 566	\$ 596	\$ 591

- (1) The non-cash goodwill impairment charges are not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance.
- (2) Consists of our full-time professionals who provide consulting services and generate revenues based on the number of hours worked.
- (3) Utilization rate for our full-time billable consultants is calculated by dividing the number of hours all of our full-time billable consultants worked on client assignments during a period by the total available working hours for all of these consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.
- (4) Average billing rate per hour for our full-time billable consultants is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period.
- (5) The Business Advisory segment includes our India Enterprise Solutions and Analytics practice, formerly known as Rittman Mead Consulting Private Limited, a business that we acquired in July 2015. The average billing rate per hour for this practice is lower than our overall average billing rate per hour for the Business Advisory segment. Absent the impact of our India Enterprise Solutions and Analytics practice, the average billing rate per hour for Business Advisory for the years ended December 31, 2017, 2016, and 2015 would have been \$233, \$235, and \$267, respectively.
- (6) Consists of cultural transformation consultants within our Studer Group solution, which include coaches and their support staff, consultants who work variable schedules as needed by our clients, and full-time employees who provide software support and maintenance services to our clients.

N/M - Not meaningful

N/A - Not applicable

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 earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted EBITDA as a percentage of revenues, adjusted net income from continuing operations, and adjusted diluted earnings per share from continuing operations exclude a number of items required by GAAP, each discussed below. These non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flows, or liquidity prepared in accordance with GAAP. Our non-GAAP financial measures may be defined differently from time to time and may be defined differently than similar terms used by other companies, and accordingly, care should be exercised in understanding how we define our non-GAAP financial measures.

Our management uses the non-GAAP financial measures to gain an understanding of our comparative operating performance, for example when comparing such results with previous periods or forecasts. These non-GAAP financial measures are used by management in their financial and operating decision making because management believes they reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons. Management also uses these non-GAAP financial measures when publicly providing our business outlook, for internal management purposes, and as a basis for evaluating potential acquisitions and dispositions. We believe that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Huron's current operating performance and future prospects in the same manner as management does and in comparing in a consistent manner Huron's current financial results with Huron's past financial results.

The reconciliations of these financial measures from GAAP to non-GAAP are as follows (in thousands, except per share amounts):

	Year Ended December 31,		
	2017	2016	2015
Revenues	\$ 732,570	\$ 726,272	\$ 699,010
Net income (loss) from continuing operations	\$ (170,505)	\$ 39,480	\$ 61,895
Add back:			
Income tax expense (benefit)	(51,999)	19,677	21,670
Interest expense, net of interest income	18,613	16,274	18,136
Depreciation and amortization	49,145	46,639	41,923
Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)	(154,746)	122,070	143,624
Add back:			
Restructuring charges	6,246	9,592	3,329
Litigation and other losses (gains), net	1,111	(1,990)	(9,476)
Goodwill impairment charges	253,093	—	—
Other non-operating expense (income)	(696)	—	—
Foreign currency transaction losses (gains), net	(434)	(11)	1,640
Adjusted EBITDA	\$ 104,574	\$ 129,661	\$ 139,117
Adjusted EBITDA as a percentage of revenues	14.3%	17.9%	19.9%

	Year Ended December 31,		
	2017	2016	2015
Net income (loss) from continuing operations	\$ (170,505)	\$ 39,480	\$ 61,895
Weighted average shares - diluted	21,439	21,424	22,600
Diluted earnings (loss) per share from continuing operations	\$ (7.95)	\$ 1.84	\$ 2.74
Add back:			
Amortization of intangible assets	35,027	33,108	28,696
Restructuring charges	6,246	9,592	3,329
Litigation and other losses (gains), net	1,111	(1,990)	(9,476)
Goodwill impairment charges	253,093	—	—
Non-cash interest on convertible notes	7,851	7,488	7,141
Other non-operating income, net	(696)	—	—
Tax effect	(91,557)	(18,942)	(11,698)
Tax expense related to the enactment of Tax Cuts and Jobs Act of 2017	8,762	—	—
Tax benefit related to "check-the-box" election	(2,728)	—	(12,336)
Total adjustments, net of tax	217,109	29,256	5,656
Adjusted net income from continuing operations	\$ 46,604	\$ 68,736	\$ 67,551
Adjusted weighted average shares - diluted	21,627	21,424	22,600
Adjusted diluted earnings per share from continuing operations	\$ 2.15	\$ 3.21	\$ 2.99

These non-GAAP financial measures include adjustments for the following 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.

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 losses (gains), net: We have excluded the effects of remeasurement losses and gains related to contingent acquisition liabilities and a litigation gain recorded in 2015 to permit comparability with periods that were not impacted by these items.

Goodwill impairment charges: We have excluded the effect of the goodwill impairment charges that occurred in 2017 as these are infrequent events and their exclusion permits comparability with periods that were not impacted by such charges.

Non-cash interest on convertible notes: We incur non-cash interest expense relating to the implied value of the equity conversion component of our Convertible Notes. The value of the equity conversion component is treated as a debt discount and amortized to interest expense over the life of the Convertible Notes using the effective interest rate method. We exclude this non-cash interest expense that does not represent cash interest payments from the calculation of adjusted net income from continuing operations as management believes that this non-cash expense is not indicative of the ongoing performance of our business.

Other non-operating income, net: We have excluded the effect of other non-operating income and expense items as they are infrequent, management believes that these items are not indicative of the ongoing performance of our business, and their exclusion permits comparability with periods that were not impacted by such items. The other non-operating income, net for 2017 is primarily attributable to a \$0.9 million gain on the sale of Life Sciences C&O, partially offset by a \$0.3 million remeasurement loss recorded on a promissory note that was amended in the fourth quarter of 2017.

Foreign currency transaction losses (gains), net: We have excluded the effect of foreign currency transaction losses and gains from the calculation of adjusted EBITDA because the amount of each loss or gain is significantly affected by timing and changes in foreign exchange rates.

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

Tax expense related to the enactment of Tax Cuts and Jobs Act of 2017 ("2017 Tax Reform"): We have excluded the impact of the 2017 Tax Reform, which was enacted in the fourth quarter of 2017, and is primarily due to the remeasurement of net deferred tax balances at the lower federal income tax rate, additional one-time income tax expense related to the transition tax on accumulated foreign earnings, and

withholding tax on outside basis differences due to our change in assertion for permanent reinvestment. The exclusion of the 2017 Tax Reform permits comparability with prior periods. Refer to Note 16 "Income Taxes" within the notes to the consolidated financial statements for additional information on the impact of the 2017 Tax Reform.

Tax benefit related to "check-the-box" election: We have excluded the effects of our "check-the-box" elections to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes. In 2017, we recognized a previously unrecognized tax benefit from our "check-the-box" election made in 2014 due to the expiration of statute of limitations. In 2015, we made a "check-the-box" election to treat two of our wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes. The exclusion of these discrete tax benefits permits comparability with periods that were not impacted by these items. Refer to Note 16 "Income Taxes" within the notes to the consolidated financial statements for additional information on our "check-the-box" elections.

Income tax expense, Interest expense, net of interest income, Depreciation and amortization: We have excluded the effects of income tax expense, interest expense, net of interest income, 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.

Adjusted weighted average shares - diluted: As we reported a net loss for the year ended December 31, 2017, GAAP diluted weighted average shares outstanding equals the basic weighted average shares outstanding for that period. For the year ended December 31, 2017, the non-GAAP adjustments described above resulted in adjusted net income from continuing operations. Therefore, we included the dilutive common stock equivalents in the calculation of adjusted diluted weighted average shares outstanding for that period.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenues

Revenues increased \$6.3 million, or 0.9%, to \$732.6 million for the year ended December 31, 2017, from \$726.3 million for the year ended December 31, 2016. Revenues for 2017 included \$43.9 million from our acquisitions of Innosight and Pope Woodhead, which were completed in the first quarter of 2017, and \$13.9 million of incremental revenues due to the full year impact of our acquisitions of MyRounding and HSM Consulting, which were completed in the first and third quarters of 2016, respectively. Revenues for 2017 also included a full period impact of our acquisition of the U.S. assets of ADI Strategies and revenues from our acquisition of the international assets of ADI Strategies. These acquisitions were completed in May 2016 and April 2017, respectively, and have since been fully integrated into the Business Advisory segment.

Of the overall \$6.3 million increase in revenues, \$10.6 million was attributable to our full-time billable consultants, partially offset by a \$4.3 million decrease in revenues attributable to our full-time equivalents.

The increase in full-time billable consultant revenues was driven by an increase in the average number of full-time billable consultants, partially offset by decreases in the average billing rate and consultant utilization rate. As discussed below in Segment Results, this increase in full-time billable consultant revenues reflected our acquisitions of Innosight and Pope Woodhead, as well as strengthened demand for services in our Business Advisory and Education segments, partially offset by decreased demand for services in our Healthcare segment.

The decrease in full-time equivalent revenues was primarily attributable to a decrease in the revenue from our Studer Group solution within our Healthcare segment as discussed below in Segment Results.

Total Direct Costs

Our total direct costs, including amortization of intangible assets and software development costs, increased \$13.0 million, or 2.9%, to \$465.7 million for the year ended December 31, 2017 from \$452.7 million for the year ended December 31, 2016. The overall \$13.0 million increase in direct costs primarily related to a \$17.5 million increase in salaries and related expenses for our revenue-generating professionals, which was largely driven by increased headcount from acquisitions and our continued investment in revenue-generating consultants in our cloud-based enterprise resource planning (ERP) implementation practices, partially offset by a decrease in salaries and related expenses in our Healthcare segment as a result of headcount reductions. Additional increases in direct costs included a \$3.3 million increase in contractor expense and a \$2.7 million increase in signing and retention bonus expense for our revenue-generating professionals. All of these increases were partially offset by a \$5.6 million decrease in performance bonus expense for our revenue-generating professionals, a \$4.0 million decrease in intangible asset amortization expense, and a \$1.2 million decrease in share-based compensation expense for our revenue-generating professionals. As a percentage of revenues, our total direct costs increased to 63.6% during 2017 compared to 62.3% during 2016, primarily due to the items described above.

Total direct costs for the year ended December 31, 2017 included \$10.9 million of amortization expense for intangible assets, primarily representing customer contracts and software acquired in business combinations, and internal software development costs, compared to \$15.1 million of amortization expense in 2016. The \$4.2 million decrease in amortization expense was primarily attributable to the decreasing amortization expense of customer contracts acquired in our Studer Group acquisition, due to the accelerated basis of amortization, and the customer contracts acquired as part of our acquisition of the U.S. assets of ADI Strategies which were fully amortized in 2016, partially offset

by the amortization of intangible assets acquired in the acquisitions of Innosight and HSM Consulting. See Note 4 "Acquisitions" and Note 5 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about our intangible assets.

Operating Expenses and Other Gains, Net

Selling, general and administrative expenses increased \$15.2 million, or 9.5%, to \$175.4 million for the year ended December 31, 2017, compared to \$160.2 million for the year ended December 31, 2016. Selling, general and administrative expenses for 2017 included \$14.5 million from Innosight and Pope Woodhead. The overall increase of \$15.2 million was primarily related to a \$10.4 million increase in salaries and related expenses for our support personnel; a \$2.7 million increase in facilities and other office-related expenses; a \$2.0 million increase in travel related costs, largely related to the operations of our aircraft purchased in connection with our Innosight acquisition; a \$1.4 million increase in third-party consulting expenses; a \$1.0 million increase in promotion and sponsorship expenses; and a \$0.9 million increase in signing and retention bonus expense for our support personnel. These increases were partially offset by a \$2.6 million decrease in performance bonus expenses for our support personnel, a \$1.1 million decrease in legal expenses, and a \$1.0 million decrease in share-based compensation expense for our support personnel. As a percentage of revenues, selling, general and administrative expenses increased to 23.9% during 2017 compared to 22.1% during 2016, primarily due to the items described above.

Restructuring charges for the year ended December 31, 2017 totaled \$6.2 million, compared to \$9.6 million for the year ended December 31, 2016. The \$6.2 million of restructuring charges in 2017 included \$3.7 million related to workforce reductions to better align resources with market demand, of which \$2.1 million related to our Healthcare segment, \$1.1 million related to our Business Advisory segment, and \$0.4 million related to our corporate operations. The overall \$6.2 million of restructuring charges also included \$2.4 million of office space reductions, which primarily consisted of the accrual of remaining lease obligations, net of estimated sublease income, due to relocating our San Francisco office to a smaller space and consolidating our Chicago and New York offices, and accelerated depreciation on leasehold improvements in our San Francisco office. The \$9.6 million of restructuring charges in 2016 primarily consisted of \$7.3 million related to workforce reductions, of which \$5.8 million related to our Healthcare segment and \$0.6 million related to our Business Advisory segment, both to better align resources with market demand, and \$0.9 million related to our corporate operations primarily to adjust our infrastructure to align with our Legal divestiture. The \$9.6 million of restructuring charges also included \$1.5 million related to updated lease accrual assumptions, primarily for our Washington, D.C. space vacated in the fourth quarter of 2014, and \$0.8 million related to the wind down of our foreign operations based in the Middle East and other exit costs. See Note 10 "Restructuring Charges" within the notes to our consolidated financial statements for further discussion of our restructuring expenses.

Other gains (losses), net totaled a net loss of \$1.1 million for the year ended December 31, 2017, compared to a net gain of \$2.0 million for the year ended December 31, 2016. The net loss in 2017 and the net gain in 2016 represent the changes in the estimated fair values of our liabilities for contingent consideration related to business acquisitions. In connection with certain business acquisitions, we may be required to pay post-closing consideration to the sellers if specific financial performance targets are met over a number of years as specified in the related purchase agreements. See Note 12 "Fair Value of Financial Instruments" within the notes to our consolidated financial statements for additional information on the fair value of contingent consideration liabilities.

Depreciation and amortization expense increased \$6.7 million, or 21.3%, to \$38.2 million for the year ended December 31, 2017, from \$31.5 million for the year ended December 31, 2016. The increase was primarily attributable to amortization expense for intangible assets acquired in the Innosight, Pope Woodhead, and ADI Strategies acquisitions, and an increase in amortization expense for a customer-related intangible asset acquired in the Studer Group acquisition. Intangible asset amortization included within operating expenses primarily relates to certain customer relationships, trade names, and non-competition agreements acquired in connection with our business acquisitions. See Note 4 "Acquisitions" and Note 5 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about our intangible assets.

During 2017, we recorded \$253.1 million of non-cash goodwill impairment charges. Of the \$253.1 million, \$208.1 million related to our Healthcare reporting unit and \$45.0 million related to our Enterprise Solutions and Analytics reporting unit which is included in our Business Advisory segment. These charges are non-cash in nature and do not affect our liquidity or debt covenants. See the "Critical Accounting Policies" section below and Note 5 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for further discussion of these charges.

Operating Income (Loss)

Operating income decreased \$281.7 million, to a loss of \$207.5 million for the year ended December 31, 2017, from income of \$74.2 million for the year ended December 31, 2016. The decrease is primarily attributable to the \$253.1 million non-cash pretax goodwill impairment charges recorded in 2017. See the "Critical Accounting Policies" section below and Note 5 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about the non-cash goodwill impairment charges. Operating margin, which is defined as operating income (loss) expressed as a percentage of revenues, decreased to (28.3)% in 2017 compared to 10.2% in 2016. The decrease in operating margin was primarily attributable to the goodwill impairment charges, as well as increases in salaries and related expenses for both our revenue-generating professionals and support personnel.

Other Expense, Net

Total other expense, net decreased slightly to \$15.0 million for the year ended December 31, 2017, from \$15.1 million for the year ended December 31, 2016. The decrease was primarily attributable to a \$2.4 million gain on the market value of our investments that are used to fund our deferred compensation liability, compared to a \$1.2 million gain in 2016, as well as a \$0.9 million gain on the sale of our Life Sciences Compliance and Operations solution ("LS C&O") within our Business Advisory segment in the second quarter of 2017, and a \$0.4 million increase in foreign currency transaction gains. These decreases were largely offset by a \$2.3 million increase in interest expense, net of interest income due to higher levels of borrowings and higher interest rates under our credit facility during 2017 compared to 2016. See Note 5 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information on the sale of LS C&O.

Income Tax Expense

For the year ended December 31, 2017, our effective tax rate was 23.4% as we recognized income tax benefit from continuing operations of \$52.0 million on a loss from continuing operations of \$222.5 million. For the year ended December 31, 2016, our effective tax rate was 33.3% as we recognized income tax expense from continuing operations of \$19.7 million on income from continuing operations of \$59.2 million. The effective tax rate for 2017 was less favorable than the statutory rate, inclusive of state income taxes, primarily due to the \$65.0 million non-deductible portion of the goodwill impairment charges related to the Healthcare and Enterprise Solutions and Analytics reporting units recorded in 2017; \$8.8 million of discrete income tax expense related to the enactment of the 2017 Tax Reform in the fourth quarter of 2017; and \$1.8 million of discrete tax expense for share-based compensation related to the adoption of ASU 2016-09 *Improvements to Employee Share-Based Payment Accounting*. Refer to Note 2 "Summary of Significant Accounting Policies" for additional information on the adoption of ASU 2016-09. These unfavorable discrete items were partially offset by a \$2.7 million tax benefit recorded in the third quarter of 2017 related to a previously unrecognized tax benefit from our 2014 "check-the-box" election.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("2017 Tax Reform"), a tax reform bill which, among other items, reduces the current corporate federal income tax rate from 35% to 21% and moves from a worldwide tax system to a territorial system. The rate reduction is effective January 1, 2018. As a result of the enactment of the legislation in 2017, we have estimated the remeasurement of our net deferred taxes based on the new lower tax rate, as well as provided for additional one-time income tax expense estimates primarily related to the transition tax on accumulated foreign earnings and elimination of foreign tax credits for dividends that are subject to the 100 percent exemption in our consolidated financial statements as of and for the year ended December 31, 2017. Our provisional analysis resulted in \$8.8 million of additional income tax expense for the year ended December 31, 2017. Of the \$8.8 million, \$7.9 million related to the remeasurement of our deferred tax balances at the lower federal income tax rate; \$0.6 million related to the transition tax on accumulated foreign earnings, net of applicable foreign tax credits; and \$0.3 million related to withholding tax on outside basis differences due to our change in assertion for permanent reinvestment. The impacts on our financial statements as a result of 2017 Tax Reform are considered preliminary and are based on the information that is currently available. These provisional results may be subject to future adjustments as additional analysis is anticipated based on technical corrections and regulatory interpretations to come. We expect to finalize the analysis as soon as practicable, but, in accordance with Staff Accounting Bulletin ("SAB") No. 118, which was issued as a result of 2017 Tax Reform, not later than one year from the enactment date. Any changes to our provisional analysis will be included as an adjustment to tax expense or benefit in the period the amounts are determined.

As a result of the 2017 Tax Reform, and barring any unfavorable discrete items, we expect our 2018 effective tax rate to be lower than our historical effective tax rate, comprised of the lower 21% corporate federal income tax rate, a state blended tax rate, net of federal benefit, estimated to be between 4-8% depending on where we provide services, and any unfavorable impact due to limitations on the deductibility of executive compensation and meals and entertainment.

The effective tax rate for 2016 was lower than the statutory rate, inclusive of state income taxes, primarily due to valuation allowance reductions, certain credits and deductions, non-taxable income, and a discrete tax benefit related to share-based compensation, partially offset by non-deductible business expenses. In 2016, we released certain valuation allowances primarily related to foreign tax credits, as we expect to have sufficient foreign source income to utilize these credits before their expiration.

Net Income (Loss) from Continuing Operations

Net income from continuing operations decreased by \$210.0 million, to a net loss from continuing operations of \$170.5 million for the year ended December 31, 2017, compared to net income from continuing operations of \$39.5 million for the year ended December 31, 2016. The decrease was primarily attributable to the \$253.1 million non-cash pretax goodwill impairment charges recorded in 2017. As a result of the decrease in net income from continuing operations, diluted loss per share from continuing operations for the year ended December 31, 2017 was \$7.95 compared to diluted earnings per share from continuing operations of \$1.84 for 2016. The non-cash goodwill impairment charges had an \$8.40 unfavorable impact on diluted earnings per share from continuing operations in 2017.

Discontinued Operations

Net income from discontinued operations for the year ended December 31, 2017 was \$0.4 million and primarily related to updated lease assumptions for vacated office spaces directly related to the sale of the Huron Legal segment. Net loss from discontinued operations for the year ended December 31, 2016 was \$1.9 million and primarily related to obligations for former employees, legal fees, and updated lease assumptions for vacated office spaces directly related to the sale of the Huron Legal segment. See Note 3 "Discontinued Operations" within the notes to our consolidated financial statements for additional information on our discontinued operations.

EBITDA and Adjusted EBITDA

EBITDA decreased \$276.8 million, to a loss of \$154.7 million for the year ended December 31, 2017, from earnings of \$122.1 million for the year ended December 31, 2016. Adjusted EBITDA decreased \$25.1 million, or 19.3%, to \$104.6 million in 2017 from \$129.7 million in 2016. The decrease in EBITDA was primarily attributable to the non-cash goodwill impairment charges of \$253.1 million recorded in 2017. The decrease in adjusted EBITDA was primarily due to the decrease in segment operating income, as discussed below in Segment Results, as well as an increase in corporate expenses primarily due to our acquisitions of Innosight and Pope Woodhead.

Adjusted Net Income from Continuing Operations

Adjusted net income from continuing operations decreased \$22.1 million, or 32.2%, to \$46.6 million for the year ended December 31, 2017, compared to \$68.7 million for the year ended December 31, 2016. As a result of the decrease in adjusted net income from continuing operations, adjusted diluted earnings per share from continuing operations for 2017 was \$2.15, compared to \$3.21 for 2016.

Segment Results

Healthcare

Revenues

Healthcare segment revenues decreased \$68.0 million, or 16.0%, to \$356.9 million for the year ended December 31, 2017, from \$424.9 million for the year ended December 31, 2016. Revenues for 2017 included \$13.9 million of incremental revenues due to the full year impact of our acquisitions of MyRounding and HSM Consulting, which were completed in the first and third quarters of 2016, respectively.

For the year ended December 31, 2017, revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance and subscription arrangements represented 67.7%, 16.1%, 8.7%, and 7.5% of this segment's revenues, respectively, compared to 68.9%, 11.6%, 13.5%, and 6.0%, respectively, in 2016.

Of the overall \$68.0 million decrease in revenues, \$65.5 million was attributable to a decrease in revenue from our full-time billable consultants, and \$2.5 million was attributable to a decrease in revenue generated by our full-time equivalents.

The decrease in revenue attributable to our full-time billable consultants was primarily driven by decreased demand for our performance improvement solution and reflected decreases in the average number of full-time billable consultants and the average billing rate, partially offset by an increase in the consultant utilization rate. Performance-based fee revenue was \$30.9 million in 2017 compared to \$57.2 million in 2016. 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 also 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 decrease in full-time equivalent revenues was primarily driven by a decreased demand for our Studer Group solution and reflected a decrease in revenue per full-time equivalent, partially offset by an increase in the average number of full-time equivalents in 2017 compared to 2016.

Operating Income

Healthcare segment operating income decreased \$29.1 million, or 19.7%, to \$118.8 million for the year ended December 31, 2017, from \$147.9 million for the year ended December 31, 2016. The Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, decreased to 33.3% in 2017 from 34.8% in 2016. The decrease in this segment's operating margin was primarily attributable to an increase, as a percentage of revenues, in salaries and related expenses for both our support personnel and revenue-generating professionals, as well as an increase in contractor expenses, partially offset by decreases in restructuring charges, performance bonus expense for our revenue-generating professionals, and intangible asset amortization expense, all as a percentage of revenues, in 2017 compared to 2016.

The non-cash goodwill impairment charge related to our Healthcare segment discussed above within the consolidated results is not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance. See the "Critical Accounting Policies" section below and

Note 5 "Goodwill and Intangibles Assets" within the notes to our consolidated financial statements for further discussion of this charge and our most recent goodwill impairment test performed as of November 30, 2017. We will continue to evaluate goodwill for impairment during future periods. Any future significant decline in the performance of the Healthcare segment compared to our internal forecasts could result in another non-cash goodwill impairment charge.

Education

Revenues

Education segment revenues increased \$18.1 million, or 12.1%, to \$167.9 million for the year ended December 31, 2017, from \$149.8 million for the year ended December 31, 2016.

For the year ended December 31, 2017, revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance and subscription arrangements represented 16.6%, 77.5%, 0.2%, and 5.7% of this segment's revenues, respectively, compared to 14.4%, 78.9%, 0.7%, and 6.0%, respectively, during 2016.

Of the overall \$18.1 million increase in revenues, \$20.0 million was attributable to an increase in revenue generated by our full-time billable consultants, partially offset by a \$1.9 million decrease in revenue generated by 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 and the consultant utilization rate, partially offset by a decrease in the average billing rate. The decrease in revenue from our full-time equivalents reflected decreases in the average number of full-time equivalents and revenue per full-time equivalent in 2017 compared to 2016.

Operating Income

Education segment operating income increased \$2.0 million, or 5.2%, to \$40.3 million for the year ended December 31, 2017, from \$38.3 million for the year ended December 31, 2016. The Education segment operating margin decreased to 24.0% for 2017 from 25.6% for 2016. The decrease in this segment's operating margin was primarily attributable to an increase in salaries and related expenses for our revenue-generating professionals, which was largely driven by our continued investment in revenue-generating consultants in our cloud-based enterprise resource planning (ERP) implementation practices, and performance bonus expenses for our revenue-generating professionals, all as a percentage of revenues, partially offset by a decrease in project costs.

Business Advisory

Revenues

Business Advisory segment revenues increased \$56.2 million, or 37.1%, to \$207.8 million for the year ended December 31, 2017, from \$151.5 million for the year ended December 31, 2016. Revenues for 2017 included \$43.9 million from our acquisitions of Innosight and Pope Woodhead, which were completed in the first quarter of 2017. Revenues for 2017 also included a full period impact of our acquisition of the U.S. assets of ADI Strategies and revenues from our acquisition of the international assets of ADI Strategies. These acquisitions were completed in May 2016 and April 2017, respectively, and have since been fully integrated into the Business Advisory segment.

For the year ended December 31, 2017, revenues from fixed-fee engagements, time-and-expense engagements, performance-based engagements, and software support and maintenance and subscription arrangements represented 34.8%, 61.4%, 2.1%, and 1.7% of this segment's revenues, respectively, compared to 19.8%, 74.6%, 4.1%, and 1.5%, respectively, in 2016. Performance-based fee revenue for the year ended December 31, 2017 was \$4.5 million compared to \$6.2 million in 2016. 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 overall \$56.2 million increase in revenues was primarily attributable to an increase in revenue generated by our full-time billable consultants. The increase in revenue from our full-time billable consultants was primarily driven by our acquisitions of Innosight, ADI Strategies, and Pope Woodhead, and reflected an increase in the average number of full-time billable consultants, partially offset by decreases in the average billing rate and consultant utilization rate.

Operating Income

Business Advisory segment operating income increased by \$17.2 million, or 58.6%, to \$46.6 million for the year ended December 31, 2017, compared to \$29.4 million for the year ended December 31, 2016. Segment operating margin increased to 22.4% for 2017 from 19.4% for 2016. The increase in this segment's operating margin was primarily attributable to decreases in performance bonus expense and share-based compensation for our revenue-generating professionals, as well as a decrease in contractor expense. These increases to operating margin were partially offset by increases in salaries and related expenses for our revenue-generating professionals; travel related costs,

largely related to the operations of our aircraft purchased in connection with our Innosight acquisition; third-party consulting expenses; and signing and retention bonus expense for our revenue-generating professionals, all as a percentage of revenues.

While the Business Advisory segment's revenues and operating income increased year-over-year, the Enterprise Solutions and Analytics practice within this segment experienced a decline in revenues and operating income in the fourth quarter of 2017 compared to the third quarter of 2017. During the first three quarters of 2017, the performance of Enterprise Solutions and Analytics continued to reasonably meet our expectations. However, both revenues and operating margin during the fourth quarter of 2017 fell short of our expectations resulting in a reduction in workforce within the reporting unit during that quarter. As a result, our goodwill impairment test conducted as of November 30, 2017, indicated that the fair value of the Enterprise Solutions and Analytics reporting unit no longer exceeded its carrying value, and we recorded a \$45.0 million non-cash pretax goodwill impairment charge to write off the entire carrying value of this reporting unit's goodwill.

This non-cash goodwill impairment charge is not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance. See the "Critical Accounting Policies" section below and Note 5 "Goodwill and Intangibles Assets" within the notes to our consolidated financial statements for further discussion of this charge.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenues

Revenues increased \$27.3 million, or 3.9%, to \$726.3 million for the year ended December 31, 2016, from \$699.0 million for the year ended December 31, 2015. Revenues for 2016 included \$34.5 million from our acquisitions of MyRounding, ADI Strategies, and HSM Consulting, all of which were completed during 2016, and \$19.3 million of incremental revenues due to the full year impact in 2016 of our acquisitions of Studer Group, which was completed mid-first quarter 2015, Rittman Mead India, which was completed at the beginning of the third quarter of 2015, and Cloud62, Inc. ("Cloud62"), which was completed at the beginning of the fourth quarter of 2015.

Of the overall \$27.3 million increase in revenues, \$20.6 million was attributable to our full-time equivalents and \$6.7 million was attributable to our full-time billable consultants.

The increase in full-time equivalent revenues was primarily attributable to the full year impact of our acquisition of Studer Group, as well as overall growth of the Studer Group practice, and increased use of contractors and subscription revenue in the Business Advisory segment, largely due to our acquisition of ADI Strategies, and reflected an increase in the average number of full-time equivalents.

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

Total Direct Costs

Our total direct costs, including amortization of intangible assets and software development costs, increased \$34.0 million, or 8.1%, to \$452.7 million for the year ended December 31, 2016 from \$418.7 million for the year ended December 31, 2015. The overall \$34.0 million increase in direct costs primarily related to a \$36.7 million increase in salaries and related expenses for our revenue-generating professionals, which was primarily driven by increased headcount from acquisitions and our ongoing cloud-based ERP investment, and a \$1.6 million increase in technology expenses, partially offset by a \$2.6 million decrease in share-based compensation expense for our revenue-generating professionals and a \$1.7 million decrease in intangible asset amortization expense. As a percentage of revenues, our total direct costs increased to 62.3% during 2016 compared to 59.9% during 2015, primarily due to the items described above.

Total direct costs for the year ended December 31, 2016 included \$15.1 million of amortization expense for intangible assets, primarily representing customer contracts and software acquired in business combinations, and internal software development costs, compared to \$16.8 million of amortization expense in 2015. See Note 4 "Acquisitions" and Note 5 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about our intangible assets.

Operating Expenses and Other Operating Gains

Selling, general and administrative expenses increased \$2.3 million, or 1.5%, to \$160.2 million for the year ended December 31, 2016, compared to \$157.9 million for the year ended December 31, 2015. This overall increase was primarily related to a \$4.8 million increase in salaries and related expenses for our support personnel and a \$1.3 million increase in share-based compensation expense for our support personnel, partially offset by a \$1.4 million decrease in facilities and other office related expenses, a \$1.1 million decrease in recruiting expenses, a \$0.5 million decrease in severance expense, and a \$0.8 million decrease in performance bonus expense for our support

personnel. As a percentage of revenues, selling, general and administrative expenses decreased to 22.1% during 2016 compared to 22.6% during 2015, primarily due to the items described above.

Restructuring charges for the year ended December 31, 2016 totaled \$9.6 million, compared to \$3.3 million for the year ended December 31, 2015. The \$9.6 million of restructuring charges in 2016 primarily consisted of \$7.3 million related to workforce reductions, of which \$5.8 million related to our Healthcare segment and \$0.6 million related to our Business Advisory segment, both to better align resources with market demand, and \$0.9 million related to our corporate operations primarily to adjust our infrastructure to align with our Legal divestiture. The \$9.6 million of restructuring charges also included \$1.5 million related to updated lease accrual assumptions, primarily for our Washington, D.C. space vacated in the fourth quarter of 2014, and \$0.3 million related to the wind down of our foreign operations based in the Middle East. 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 overall \$3.3 million pretax charge for 2015, \$1.2 million related to our 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. See Note 10 "Restructuring Charges" within the notes to our consolidated financial statements for further discussion of our restructuring expenses.

Litigation and other gains, net totaled \$2.0 million for the year ended December 31, 2016, compared to \$9.5 million for the year ended December 31, 2015. The total gain of \$2.0 million in 2016 represented net remeasurement gains related to changes in the fair value of contingent consideration liabilities incurred in connection with business acquisitions. The total 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. 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 settlement of a legal claim.

Depreciation and amortization expense increased \$6.4 million, or 25.3%, to \$31.5 million for the year ended December 31, 2016, from \$25.1 million for the year ended December 31, 2015. The increase was primarily attributable to amortization expense for intangible assets acquired in the Studer Group acquisition, as well as amortization expense for intangible assets acquired in the Cloud62, ADI Strategies, and HSM Consulting acquisitions. Intangible asset amortization included within operating expenses primarily relates to customer relationships, non-competition agreements, and trade names acquired in connection with our business acquisitions.

Operating Income

Operating income decreased \$29.3 million, or 28.3%, to \$74.2 million for the year ended December 31, 2016, from \$103.5 million for the year ended December 31, 2015. Operating margin, which is defined as operating income expressed as a percentage of revenues, decreased to 10.2% in 2016 compared to 14.8% in 2015. The decrease in operating margin was primarily attributable to the increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues, the decrease in litigation and other gains, net, and the increase in restructuring charges as a percentage of revenues, partially offset by the decrease in share-based compensation expense for our revenue-generating professionals in 2016 compared to 2015.

Other Expense, Net

Total other expense, net decreased \$4.9 million to \$15.1 million for the year ended December 31, 2016, from \$19.9 million for the year ended December 31, 2015. The decrease was primarily attributable to a \$1.9 million decrease in interest expense, net, a \$1.7 million decrease in foreign currency transaction losses, and a \$1.2 million gain during 2016 from an increase in the market value of our investments that are used to fund our deferred compensation liability compared to a \$0.2 million loss during 2015. The decrease in interest expense was due to lower levels of borrowings under our credit facility during 2016 compared to 2015.

Income Tax Expense

For the year ended December 31, 2016, our effective tax rate was 33.3% as we recognized income tax expense from continuing operations of \$19.7 million on income from continuing operations of \$59.2 million. For the year ended December 31, 2015, our effective tax rate was 25.9% as we recognized income tax expense from continuing operations of \$21.7 million on income from continuing operations of \$83.6 million. Our effective tax rate for 2016 was lower than the statutory rate, inclusive of state income taxes, primarily due to valuation allowance reductions, certain credits and deductions, non-taxable income, and a discrete tax benefit related to share-based compensation, partially offset by non-deductible business expenses. In 2016, we released certain valuation allowances primarily related to foreign tax credits, as we expect to have sufficient foreign source income to utilize these credits before their expiration. 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 realized 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. See Note 16 "Income Taxes" within the notes to our consolidated financial statements for additional information related to our income tax expense.

Net Income from Continuing Operations

Net income from continuing operations was \$39.5 million for the year ended December 31, 2016, compared to \$61.9 million for the year ended December 31, 2015. The \$22.4 million decrease in net income from continuing operations was primarily due to the decrease in operating income, partially offset by the decrease in other expense, net, as discussed above. As a result of the decrease in net income from continuing operations, partially offset by the reduction in diluted shares outstanding due to the share repurchases in the fourth quarter of 2015 and first quarter of 2016, diluted earnings per share from continuing operations for the year ended December 31, 2016 was \$1.84 compared to \$2.74 for 2015.

Discontinued Operations

Net loss from discontinued operations for the year ended December 31, 2016 was \$1.9 million and primarily related to obligations for former employees, legal fees, and updated lease assumptions for vacated office space directly related to the sale of the Legal segment. Net loss from discontinued operations for the year ended December 31, 2015 was \$2.8 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 decreased \$21.6 million, or 15.0%, to \$122.1 million for the year ended December 31, 2016, from \$143.6 million for the year ended December 31, 2015. Adjusted EBITDA decreased \$9.5 million, or 6.8%, to \$129.7 million in 2016 from \$139.1 million in 2015. The decrease in EBITDA was primarily due to the decrease in segment operating income, as discussed below in Segment Results, and the decrease in litigation and other gains. The decrease in Adjusted EBITDA was primarily due to the decrease in segment operating income, exclusive of restructuring charges.

Adjusted Net Income from Continuing Operations

Adjusted net income from continuing operations increased \$1.2 million, or 1.8%, to \$68.7 million for the year ended December 31, 2016, compared to \$67.6 million for the year ended December 31, 2015. As a result of the increase in adjusted net income from continuing operations, coupled with the reduction in diluted shares outstanding due to the share repurchases in the fourth quarter of 2015 and first quarter of 2016, adjusted diluted earnings per share from continuing operations for 2016 was \$3.21, compared to \$2.99 for 2015.

Segment Results

Healthcare

Revenues

Healthcare segment revenues decreased \$22.0 million, or 4.9%, to \$424.9 million for the year ended December 31, 2016, from \$446.9 million for the year ended December 31, 2015. Revenues for 2016 included \$10.3 million from our acquisitions of MyRounding and HSM Consulting, both of which were completed during 2016, and \$10.7 million of incremental revenues due to the full year impact in 2016 of our acquisition of Studer Group, which was completed mid-first quarter 2015.

For the year ended December 31, 2016, revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance and subscription arrangements represented 68.9%, 11.6%, 13.5%, and 6.0% of this segment's revenues, respectively, compared to 75.7%, 7.2%, 11.7%, and 5.4%, respectively, in 2015.

Of the overall \$22.0 million decrease in revenues, \$39.2 million was attributable to a decrease in revenue from our full-time billable consultants, partially offset by a \$17.2 million increase in revenue generated by our full-time equivalents.

The decrease in revenue attributable to our full-time billable consultants reflected decreases in the average number of full-time billable consultants, the average billing rate, and consultant utilization rate. This decrease in revenue was largely driven by a decrease in revenue in our revenue cycle and cost and clinical solutions compared to the prior year. Performance-based fee revenue was \$57.2 million in 2016 compared to \$52.3 million in 2015. 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 increase in full-time equivalent revenues was primarily attributable to the full period impact of our acquisition of Studer Group, as well as overall growth of the Studer Group practice, and reflected increases in both the average number of full-time equivalents and revenue per full-time equivalent in 2016 compared to 2015.

Operating Income

Healthcare segment operating income decreased \$21.7 million, or 12.8%, to \$147.9 million for the year ended December 31, 2016, from \$169.6 million for the year ended December 31, 2015. The Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, decreased to 34.8% in 2016 from 37.9% in 2015. 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 salaries and related expenses for our support personnel and restructuring charges, partially offset by a decrease in share-based compensation expense for our revenue-generating professionals as a percentage of revenues in 2016 compared to 2015.

Education

Revenues

Education segment revenues increased \$15.8 million, or 11.8%, to \$149.8 million for the year ended December 31, 2016, from \$134.0 million for the year ended December 31, 2015. Revenues from fixed-fee engagements, time-and-expense engagements, performance-based arrangements, and software support and maintenance and subscription arrangements represented 14.4%, 78.9%, 0.7%, and 6.0% of this segment's revenues, respectively, during 2016, compared to 24.8%, 68.9%, 0.4%, and 5.9% of this segment's revenues, respectively, during 2015.

Of the overall \$15.8 million increase in revenues, \$16.8 million was attributable to an increase in revenue generated by our full-time billable consultants, partially offset by a \$1.0 million decrease in revenue 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 and the average billing rate, partially offset by a decrease in the consultant utilization rate in 2016 compared to 2015. The decrease in revenue from our full-time equivalents reflected decreases in the average number of full-time equivalents and revenue per full-time equivalent in 2016 compared to 2015.

Operating Income

Education segment operating income increased \$6.1 million, or 18.8%, to \$38.3 million for the year ended December 31, 2016, from \$32.2 million for the year ended December 31, 2015. The Education segment operating margin increased to 25.6% for 2016 from 24.1% for 2015. The increase in this segment's operating margin was primarily attributable to decreases in project costs, contractor expense, and bonus expense for our revenue-generating professionals, partially offset by an increase in salaries and related expenses for our revenue-generating professionals.

Business Advisory

Revenues

Business Advisory segment revenues increased \$34.7 million, or 29.6%, to \$151.5 million for the year ended December 31, 2016, from \$116.9 million for the year ended December 31, 2015. Revenues for 2016 included \$24.2 million from our acquisitions of ADI Strategies, which was completed during 2016, and \$8.6 million of incremental revenues due to the full year impact in 2016 of our acquisitions of Cloud62 and Rittman Mead India, which were completed in 2015.

Revenues from fixed-fee engagements, time-and-expense engagements, performance-based engagements, and software support and maintenance and subscription arrangements represented 19.8%, 74.6%, 4.1%, and 1.5% of this segment's revenues, respectively, during 2016 compared to 28.2%, 64.6%, 6.9%, and 0.3%, respectively, in 2015. Performance-based fee revenue for the year ended December 31, 2016 was \$6.2 million, of which \$5.3 million was generated by Huron Transaction Advisory LLC, our registered broker-dealer. 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. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide. Performance-based fee arrangements may cause significant variations in revenues, operating results, and average billing rates due to our level of execution and the timing of achievement of the performance-based criteria.

Of the overall \$34.7 million increase in revenues, \$30.5 million was attributable to an increase in revenue generated by our full-time billable consultants and \$4.2 million was attributable to our full-time equivalents. The increase in revenue from our full-time billable consultants reflected an increase in the average number of full-time billable consultants, partially offset by decreases in the average billing rate and consultant utilization rate in 2016 compared to 2015. The increase in the average number of full-time billable consultants was primarily the result of our acquisitions of ADI Strategies and Cloud62. The increase in revenue from our full-time equivalents reflected increases in both the average number of full-time equivalents and revenue per full-time equivalent in 2016 compared to 2015.

Operating Income

Business Advisory segment operating income decreased by \$1.9 million, or 5.9%, to \$29.4 million for the year ended December 31, 2016, compared to \$31.2 million for the year ended December 31, 2015. Segment operating margin decreased to 19.4% for 2016 from 26.7% for 2015. The decrease in this segment's operating margin was primarily attributable to increases in salaries and related expenses for our revenue-generating professionals as a percentage of revenues, as well as increases in contractor expenses and intangible asset amortization expense as a percentage of revenues. These decreases in margin were partially offset by revenue growth that outpaced the increase in performance bonus expense for our revenue-generating professionals. The overall decrease in this segment's operating margin reflects an increase in the Enterprise Solutions and Analytics practice revenue as a percentage of this segment's total revenue, as the recent growth of this practice, which has lower operating margins, outpaced the growth of the legacy Business Advisory and Life Sciences practices.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$16.9 million, \$17.0 million, and \$58.4 million at December 31, 2017, 2016, and 2015, respectively. As of December 31, 2017, 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,		
	2017	2016	2015
Net cash provided by operating activities	\$ 99,795	\$ 129,243	\$ 167,855
Net cash used in investing activities	(128,948)	(86,636)	(272,158)
Net cash provided by (used in) financing activities	28,821	(84,095)	(93,543)
Effect of exchange rate changes on cash	214	78	(589)
Net decrease in cash and cash equivalents	\$ (118)	\$ (41,410)	\$ (198,435)

Operating Activities

Net cash provided by operating activities totaled \$99.8 million, \$129.2 million, and \$167.9 million for the years ended December 31, 2017, 2016, and 2015, 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 decrease in cash provided by operations in 2017 compared to 2016 was primarily attributable to lower net income, the collection of a \$10.0 million settlement receivable in the first quarter of 2016, and a decrease in cash collections from clients, partially offset by decreased vendor and tax payments in 2017 compared to 2016.

The decrease in cash provided by operations in 2016 compared to 2015 was primarily attributable to lower net income, a decrease in cash collections from clients, and an increase in accounts payable payments to vendors, largely offset by a decrease in the amount paid for annual performance bonuses during the first quarter of 2016 compared to the first quarter of 2015 and the collection of a settlement receivable in the first quarter of 2016.

Investing Activities

Net cash used in investing activities was \$128.9 million, \$86.6 million, and \$272.2 million for the years ended December 31, 2017, 2016, and 2015, respectively.

The use of cash in 2017 primarily consisted of \$106.9 million for purchases of businesses and \$24.4 million for purchases of property and equipment, primarily related to leasehold improvements and purchase of furniture and fixtures for new office spaces in certain locations.

The use of cash in 2016 primarily consisted of \$69.1 million for purchases of businesses and \$13.9 million for purchases of property and equipment.

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"). 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.

We estimate that cash utilized for purchases of property and equipment and software in 2018 will be approximately \$15 million, primarily consisting of information technology related equipment to support our corporate infrastructure, software development costs, and leasehold improvements.

Financing Activities

Net cash provided by financing activities was \$28.8 million for the year ended December 31, 2017. During 2017, we borrowed \$277.5 million under our credit facility, primarily to fund our acquisitions of Innosight and Pope Woodhead and our annual performance bonus payment, and made repayments on our credit facility of \$240.7 million.

Net cash used in financing activities was \$84.1 million for the year ended December 31, 2016. During 2016, we borrowed \$200.0 million under our credit facility, primarily to fund the acquisitions of HSM Consulting and ADI Strategies and our annual performance bonus payment, and we made repayments on our credit facility of \$224.0 million. We also repurchased and retired \$55.3 million of our common stock under our Share Repurchase Program, as discussed below.

Net cash used in financing activities was \$93.5 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 Share Repurchase Program.

Share Repurchase Program

We currently have a share repurchase program permitting us to repurchase up to \$125 million of our common stock through October 31, 2018 (the "Share Repurchase Program"). The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, capacity under our credit facility, general market and business conditions, and applicable legal requirements. In 2015, we repurchased and retired 583,880 shares for \$34.6 million, and in 2016, we repurchased and retired 982,192 shares for \$55.3 million. No shares were repurchased under this program in 2017. As of December 31, 2017, \$35.1 million remains available for share repurchases.

Financing Arrangements

At December 31, 2017, we had \$250 million principal amount of our 1.25% convertible senior notes outstanding, \$105.0 million outstanding under our senior secured credit facility, and \$4.9 million outstanding under a promissory note, as discussed below.

1.25% Convertible Senior Notes

In September 2014, we issued \$250.0 million principal amount of the Convertible Notes in a private offering. The Convertible Notes are senior unsecured obligations of the Company and will pay interest semi-annually on April 1 and October 1 of each year at an annual rate of 1.25%. The Convertible Notes will mature on October 1, 2019, unless earlier repurchased by the Company or converted in accordance with their terms.

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

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

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

For further information, see Note 7 "Financing Arrangements" within the notes to our consolidated financial statements. For a discussion of certain risks and uncertainties related to the Convertible Notes, see Part I—Item 1A. "Risk Factors."

Senior Secured Credit Facility

The Company has a \$500 million senior secured revolving credit facility, subject to the terms of a Second Amended and Restated Credit Agreement dated as of March 31, 2015, as amended to date (as amended and modified the "Amended Credit Facility"), that becomes due and payable in full upon maturity on March 31, 2020. The Amended Credit Agreement provides the option to increase the revolving credit facility or establish term loan facilities in an aggregate amount of up to \$100 million, subject to customary conditions and the approval of any lender whose commitment would be increased, resulting in a maximum available principal amount under the Amended Credit Agreement of

\$600 million. The initial borrowings under the Amended Credit Agreement were used to refinance borrowings outstanding under a prior credit agreement, and future borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, acquisitions of businesses, share repurchases, and general corporate purposes.

Fees and interest on borrowings vary based on our Consolidated Leverage Ratio (as defined in the Amended Credit Agreement). At our option, borrowings under the Amended Credit Agreement will bear interest at one, two, three or six-month LIBOR or an alternate base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.25% per annum and 2.00% per annum, in the case of LIBOR borrowings, or between 0.25% per annum and 1.00% per annum, in the case of base rate loans, based upon our Consolidated Leverage Ratio at such time.

Amounts borrowed under the Amended Credit Agreement may be prepaid at any time without premium or penalty. We are required to prepay the amounts outstanding under the Amended Credit Agreement in certain circumstances, including a requirement to pay all amounts outstanding 90 days prior to the Convertible Indebtedness Maturity Date (as defined in the Amended Credit Agreement) unless (1) the Convertible Indebtedness Maturity Date is waived or extended to a later date, (2) the Company can demonstrate (a) Liquidity (as defined in the Amended Credit Agreement) in an amount at least equal to the principal amount due on the Convertible Indebtedness Maturity Date, and (b) financial covenant compliance after giving effect to such payments and any additional indebtedness incurred on a pro forma basis, or (3) this requirement is waived by the Required Lenders (as defined in the Amended Credit Agreement). In addition, we have the right to permanently reduce or terminate the unused portion of the commitments provided under the Amended Credit Agreement at any time.

The Amended Credit Agreement contains usual and customary representations and warranties; affirmative and negative covenants, which include limitations on liens, investments, additional indebtedness, and restricted payments; and two quarterly financial covenants as follows: (i) a maximum Consolidated Leverage Ratio (defined as the ratio of debt to consolidated EBITDA) ranging from 3.25 to 1.00 to 3.75 to 1.00, depending on the measurement period, and (ii) a minimum Consolidated Interest Coverage Ratio (defined as the ratio of consolidated EBITDA to interest) of 3.50 to 1.00. Consolidated EBITDA for purposes of the financial covenants is calculated on a continuing operations basis and includes adjustments to add back, among other items, share-based compensation costs, non-cash goodwill impairment charges, non-cash restructuring charges, and pro forma historical EBITDA for businesses acquired. At December 31, 2017, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 3.02 to 1.00 and a Consolidated Interest Coverage Ratio of 12.43 to 1.00.

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

Borrowings outstanding under the Amended Credit Agreement at December 31, 2017 totaled \$105.0 million. These borrowings carried a weighted average interest rate of 3.7%, including the impact of the interest rate swap in effect as of December 31, 2017 and described in Note 11 "Derivative Instruments and Hedging Activity" within the notes to the consolidated financial statements. Borrowings outstanding under the Amended Credit Agreement at December 31, 2016 were \$68.0 million and carried a weighted average interest rate of 2.5%, including the impact of the interest rate swap in effect as of December 31, 2016. The borrowing capacity under the revolving credit facility is reduced by any outstanding borrowings under the revolving credit facility and outstanding letters of credit. At December 31, 2017, we had outstanding letters of credit totaling \$1.9 million, which are primarily used as security deposits for our office facilities. As of December 31, 2017, the unused borrowing capacity under the revolving credit facility was \$393.1 million.

For further information, see Note 7 "Financing Arrangements" within the notes to the consolidated financial statements. For a discussion of certain risks and uncertainties related to the Amended Credit Facility, see Part I—Item 1A. "Risk Factors."

Promissory Note due 2024

On June 30, 2017, in conjunction with our purchase of an aircraft related to the acquisition of Innosight, we assumed, from the sellers of the aircraft, a promissory note with an outstanding principal balance of \$5.1 million. The principal balance of the promissory note is subject to scheduled monthly principal payments until the maturity date of March 1, 2024, at which time a final payment of \$1.5 million, plus any accrued and unpaid interest, will be due. Under the terms of the promissory note, we will pay interest on the outstanding principal amount at a rate of one-month LIBOR plus 1.97% per annum. The obligations under the promissory note are secured pursuant to a Loan and Aircraft Security Agreement with Banc of America Leasing & Capital, LLC, which grants the lender a first priority security interest in the aircraft. At December 31, 2017, the outstanding principal amount of the promissory note was \$4.9 million. As of December 31, 2017, the aircraft had a carrying amount of \$6.5 million.

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

Future Needs

Our primary financing need has been to fund our growth. Our growth strategy is to expand our service offerings, which may require investments in new hires, acquisitions of complementary businesses, possible expansion into other geographic areas, and related capital expenditures. We believe our internally generated liquidity, together with our available cash, the borrowing capacity available under our revolving credit facility, and access to external capital resources will be adequate to fund our long-term growth and capital needs arising from cash commitments and debt service obligations. Our ability to secure short-term and long-term financing in the future will depend on several factors, including our future profitability, the quality of our accounts receivable and unbilled services, our relative levels of debt and equity, and the overall condition of the credit markets.

CONTRACTUAL OBLIGATIONS

The following table represents our significant obligations and commitments as of December 31, 2017 and the scheduled years of payments (in thousands).

	Total	Payments Due by Period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Convertible senior notes—principal and interest ⁽¹⁾	\$ 256,250	\$ 3,125	\$ 253,125	\$ —	\$ —
Long-term bank borrowings—principal and interest ⁽²⁾	113,335	3,704	109,631	—	—
Promissory note—principal and interest ⁽³⁾	5,548	656	1,302	1,290	2,300
Operating lease obligations ⁽⁴⁾	99,960	14,739	25,710	21,707	37,804
Contingent consideration ⁽⁵⁾	22,828	8,515	12,513	1,800	—
Purchase obligations ⁽⁶⁾	12,533	10,442	2,091	—	—
Transition tax on accumulated foreign earnings ⁽⁷⁾	604	48	97	97	362
Deferred compensation ⁽⁸⁾	17,678				
Uncertain tax positions ⁽⁹⁾	813				
Total contractual obligations	<u>\$ 529,549</u>	<u>\$ 41,229</u>	<u>\$ 404,469</u>	<u>\$ 24,894</u>	<u>\$ 40,466</u>

- (1) In September 2014, we issued \$250 million principal of 1.25% convertible senior notes due 2019. We will pay cash interest on the outstanding notes at an annual rate of 1.25% semi-annually on April 1 and October 1 of each year until October 1, 2019, at which time we will repay any accrued and unpaid interest and the principal amount of all outstanding notes.
- (2) The interest payments on long-term bank borrowings are estimated based on the principal amount outstanding and the interest rate in effect as of December 31, 2017. Actual future interest payments will differ due to changes in our borrowings outstanding and the interest rate on those borrowings, as the interest rate varies based on the fluctuations in the variable base rates and the spread we pay over those base rates pursuant to the Amended Credit Agreement. Refer to “Liquidity and Capital Resources” and Note 7 “Financing Arrangements” within the notes to our consolidated financial statements for more information on our outstanding borrowings.
- (3) The interest payments on the promissory note are estimated based on the principal amount outstanding, scheduled principal payments, and the interest rate in effect as of December 31, 2017. Actual future interest payments may differ due to changes in the principal amount outstanding and the interest rate on that principal amount, as the interest rate varies based on the fluctuations in the one-month LIBOR rate. Refer to “Liquidity and Capital Resources” and Note 7 “Financing Arrangements” within the notes to our consolidated financial statements for more information on the promissory note.
- (4) We lease our facilities under operating lease arrangements expiring on various dates through 2028, with various renewal options. We lease office facilities under non-cancelable operating leases that include fixed or minimum payments plus, in some cases, scheduled base rent increases over the term of the lease.
- (5) In connection with certain business acquisitions, we may be required to pay post-closing consideration to the sellers if specific financial performance targets are met over a number of years as specified in the related purchase agreements. As of December 31, 2017, the estimated fair value of the contingent consideration liability was \$22.8 million. The maximum amount that may be paid under contingent consideration liabilities existing as of December 31, 2017 is \$56.2 million.
- (6) Purchase obligations include agreements to purchase goods or services that are enforceable, are legally binding, and specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include agreements that are cancelable without penalty.
- (7) As a result of the 2017 Tax Reform, we are required to pay a one-time transition tax on our accumulated foreign earnings as of December 31, 2017, which were primarily generated by our operations in Canada. We have the option to pay this liability in installments over the next eight years as reflected in the table above, and the payments may be offset with certain foreign tax credits.
- (8) Included in deferred compensation and other liabilities on our consolidated balance sheet as of December 31, 2017 is a \$17.7 million obligation for deferred compensation. The specific payment dates for the deferred compensation are unknown; therefore, the related balances have not been reflected in the “Payments Due by Period” section of the table. This deferred compensation liability is fully funded by corresponding deferred compensation plan assets. Refer to Note 14 “Employee Benefit and Deferred Compensation Plans” within the notes to our consolidated financial statements for more information on our deferred compensation plan.
- (9) Our liabilities for uncertain tax positions are classified as non-current. We are unable to reasonably estimate the timing of future payments as it depends on examinations by taxing authorities; as such, the related balance has not been reflected in the “Payments Due by Period” section of the table.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Our significant accounting policies are discussed in Note 2 "Summary of Significant Accounting Policies," within the notes to our consolidated financial statements. We regularly review our financial reporting and disclosure practices and accounting policies to ensure that our financial reporting and disclosures provide accurate information relative to the current economic and business environment. The preparation of financial statements in conformity with GAAP requires management to make assessments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to impact our financial position and operating results. While all decisions regarding accounting policies are important, we believe that there are five accounting policies that could be considered critical: revenue recognition, allowances for doubtful accounts and unbilled services, business combinations, carrying values of goodwill and other intangible assets, and income taxes.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the related services are provided, the price is fixed or determinable, and collectability is reasonably assured. We generate 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. 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. Estimates of total engagement revenues and cost of services are monitored regularly during the term of the engagement. If our estimates indicate a potential loss, such loss is recognized in the period in which the loss first becomes probable and reasonably estimable.

We also generate revenues from 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.

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 publications purchased by our clients outside of Partner Contracts within our Studer Group solution. We recognize revenues under time-and-expense arrangements as the related services or publications are provided.

In performance-based 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. We do not recognize revenues under performance-based billing arrangements until all related performance criteria are met.

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.

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

Provisions are recorded for the estimated realization adjustments on all engagements, including engagements for which fees are subject to review by the bankruptcy courts. Expense reimbursements that are billable to clients are included in total revenues and reimbursable expenses, and typically an equivalent amount of reimbursable expenses are included in total direct costs and reimbursable expenses. Reimbursable expenses are primarily recognized as revenue in the period in which the expense is incurred. Subcontractors that are billed to clients at cost are also included in reimbursable expenses. When billings do not specifically identify reimbursable expenses, we allocate the portion of the billings equivalent to these expenses to reimbursable expenses.

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

Refer to Note 2 "Summary of Significant Policies" for anticipated changes to our revenue recognition accounting policy upon adoption of Accounting Standards Update 2014-09 *Revenue from Contracts with Customers* effective January 1, 2018.

Allowances for Doubtful Accounts and Unbilled Services

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

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

Business Combinations

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. Goodwill is recorded as the excess of the fair value of consideration transferred, including any contingent consideration, over the fair value of the net assets acquired. We base the fair values of identifiable intangible assets on detailed valuations that require management to make significant judgments, estimates, and assumptions, such as the expected future cash flows to be derived from the intangible assets, discount rates that reflect the risk factors associated with future cash flows, and estimates of useful lives.

We measure and recognize contingent consideration at fair value as of the acquisition date. We estimate the fair value of contingent consideration based on either a probability-weighted assessment of the specific financial performance targets being achieved or a Monte Carlo simulation model, as appropriate. These fair value measurements require the use of significant judgments, estimates, and assumptions, including financial performance projections and discount rates. The fair value of the contingent consideration is reassessed quarterly based on assumptions used in our latest financial projections and input provided by practice leaders and management, with any change in the fair value estimate recorded in earnings in that period. Increases or decreases in the fair value of contingent consideration liabilities resulting from changes in the estimates or assumptions could materially impact the financial statements. See Note 4 "Acquisitions" within the notes to our consolidated financial statements for additional information regarding our acquisitions.

Carrying Values of Goodwill and Other Intangibles Assets

We test goodwill for impairment, at the reporting unit level, annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. We perform our annual goodwill impairment test as of November 30 and monitor for interim triggering events on an ongoing basis. A reporting unit is an operating segment or one level below an operating segment (referred to as a component) to which goodwill is assigned when initially recorded. We assign goodwill to reporting units based on our integration plans and the expected synergies resulting from the acquisition. At the time of our November 30, 2017 annual goodwill impairment test, we had six reporting units with goodwill balances: Healthcare, Education, Business Advisory, Enterprise Solutions and Analytics, Strategy and Innovation, and Life Sciences. The Business Advisory, Enterprise Solutions and Analytics, Strategy and Innovation, and Life Sciences reporting units make up our Business Advisory operating segment.

Under GAAP, we have the option to first assess qualitative factors to determine whether the existence of current events or circumstances would lead to a determination that it is more likely than not that the fair value of one of our reporting units is greater than its carrying value. If we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying value, no further testing is necessary. However, if we conclude otherwise, then we are required to perform a quantitative impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying value of the reporting unit. If the fair value of the reporting unit is less than its

carrying value, a non-cash impairment charge is recorded in an amount equal to that difference with the loss not to exceed the total amount of goodwill allocated to the reporting unit.

We have the option to bypass the qualitative assessment for any reporting unit and proceed directly to performing the quantitative goodwill impairment test.

For reporting units where we perform the quantitative test, we determine the fair value using a combination of the income approach and the market approach. For a company such as ours, the income and market approaches will generally provide the most reliable indications of fair value because the value of such companies is dependent on their ability to generate earnings.

The following is a discussion of our goodwill impairment tests performed during 2017.

Second Quarter 2017 Goodwill Reallocation

In the second quarter of 2017, we reorganized our internal financial reporting structure, which management uses to assess performance and allocate resources, by moving our Life Sciences practice from the Education and Life Sciences reporting unit and segment to its own reporting unit within the Business Advisory segment. The remaining Education and Life Sciences segment is now referred to as the Education segment.

As a result of the reorganization, we reallocated \$10.8 million of the goodwill balance associated with the previous Education and Life Sciences reporting unit to the new Life Sciences reporting unit based on the relative fair values of the Life Sciences reporting unit and the remaining Education reporting unit. The estimated fair values were determined using a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting.

In conjunction with the goodwill reallocation, we performed a goodwill impairment test for the goodwill balances within our Education reporting unit and Life Sciences reporting unit as of June 1, 2017. Based on the results of the goodwill impairment test, we determined that the fair values of our Education reporting unit and Life Sciences reporting unit exceeded their carrying values. As such, we concluded there was no indication of goodwill impairment for either reporting unit at that time.

Second Quarter 2017 Goodwill Impairment Analysis

During the second quarter of 2017, we performed a goodwill impairment analysis for our Healthcare reporting unit as our Healthcare business had experienced a prolonged period of declining revenues, primarily driven by softness in our revenue cycle offering within our performance improvement solution. This softness was attributable to decreased demand for our services, the winding down of some of our larger projects, and a trend toward smaller projects, as well as fewer large integrated projects. In light of these challenges, several initiatives have been undertaken to improve the segment's financial performance, including repositioning our solutions to address the most critical needs of our clients, the expansion of our existing services such as those in our Studer Group, strategy, physician and technology offerings, and workforce reductions to better align resources with market demand. While the initiatives undertaken to improve the financial performance of our Healthcare segment began yielding some positive impacts, hospitals and health systems continued to face regulatory and funding uncertainty; therefore, we remained cautious about near-term growth. As we had previously disclosed in prior quarters, if the financial performance of our Healthcare segment continued to decline and did not meet our expectations, we could be required to perform an interim impairment analysis with respect to our carrying value of goodwill for the Healthcare reporting unit prior to our usual annual test. Based on forecasts prepared in the second quarter of 2017 in connection with our quarterly forecasting cycle, we determined that the likely time frame to improve the financial results of this segment would take longer than originally anticipated. As such, we concluded, during the second quarter of 2017, that the fair value of the Healthcare reporting unit may have no longer exceeded its carrying value. In connection with the preparation of our financial statements for the quarter ended June 30, 2017, we performed an interim impairment test on the Healthcare reporting unit.

Our interim goodwill impairment test indicated that the fair value of the Healthcare reporting was lower than its carrying value, which resulted in an impairment charge for the difference. To estimate the fair value of the Healthcare reporting unit, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. Based on the estimated fair value of the Healthcare reporting unit, we recorded a \$208.1 million non-cash pretax goodwill impairment charge to reduce the carrying value of goodwill in our Healthcare reporting unit. Refer to Note 5 "Goodwill and Intangible Assets" within the notes to the consolidated financial statements for additional information on our interim goodwill impairment analysis.

2017 Annual Goodwill Impairment Analysis

Pursuant to our policy, we performed our annual goodwill impairment test as of November 30, 2017 on our six reporting units with goodwill balances: Healthcare, Education, Business Advisory, Enterprise Solutions and Analytics, Strategy and Innovation, and Life Sciences. We elected to bypass the qualitative assessment and proceeded directly to the quantitative goodwill impairment test.

For each reporting unit, we reviewed goodwill for impairment by comparing the fair value of the reporting unit to its carrying value, including goodwill. In estimating the fair value of each reporting unit, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. Based on the results of the goodwill impairment test, we determined that the fair value of the Healthcare, Education, Business Advisory, Strategy and Innovation, and Life Sciences reporting units exceeded their carrying value by 40%, 120%, 115%, 33%, and 14%, respectively. As such, we concluded that there was no indication of goodwill impairment for these five reporting units. However, the results of the quantitative impairment test indicated that the fair value of the Enterprise Solutions and Analytics reporting unit did not exceed its carrying value. Based on the estimated fair value of the Enterprise Solutions and Analytics reporting unit, we recorded a \$45.0 million non-cash pretax charge to reduce the carrying value of this reporting unit's goodwill to zero.

Our Enterprise Solutions and Analytics reporting unit was established with the acquisition of Blue Stone International, LLC in 2013. Since that time, we completed five additional business acquisitions within the reporting unit, most recently the acquisitions of the U.S. assets and international assets of ADI Strategies in May 2016 and April 2017, respectively. We record the assets acquired and liabilities assumed in business combinations, including identifiable intangible assets, at their estimated fair values as of the acquisition date, and goodwill is recorded as the excess of the fair value of consideration transferred, including any contingent consideration, over the fair value of the net assets acquired. Therefore, the initial accounting for an acquisition results in its fair value equaling its carrying value. As we have previously disclosed in prior quarters, due to this reporting unit's relatively low headroom, in the event that the financial performance of the reporting unit did not meet our expectations during 2017, we could be required to take a non-cash impairment charge as a result of any goodwill impairment test. During the first three quarters of 2017, the performance of Enterprise Solutions and Analytics continued to reasonably meet our expectations. However, both revenues and operating margin during the fourth quarter of 2017 fell short of our expectations resulting in a reduction in workforce within the reporting unit during that quarter. Further, in connection with our annual budget process for 2018, which coincided with our annual goodwill impairment test during the fourth quarter of 2017, we determined that the reporting unit's expected future revenue growth rates and operating margin would be lower than previously anticipated for this reporting unit. As a result, our goodwill impairment test indicated that the fair value of the Enterprise Solutions and Analytics reporting unit no longer exceeded its carrying value, and we recorded a \$45.0 million non-cash pretax charge to write off the entire carrying value of this reporting unit's goodwill.

In the income approach used to calculate the fair value of all reporting units, we utilized a discounted cash flow analysis, which involves estimating the expected after-tax cash flows that will be generated by the reporting unit and then discounting those cash flows to present value reflecting the relevant risks associated with the reporting unit and the time value of money. This approach requires the use of significant estimates and assumptions, including long-term projections of future cash flows, market conditions, tax rates reflecting anticipated tax reform, and discount rates reflecting the risk inherent in future cash flows for each reporting unit. In estimating future cash flows, we relied on internally generated forecasts for each reporting unit based on historical experience, current backlog, expected market demand, and other industry information, and assumed a long-term annual revenue growth rate of 3.5% for all reporting units. Our discounted cash flow analysis assumed a weighted average cost of capital discount rate of 10.5% for the Healthcare, Education, and Life Sciences reporting units, 14.5% for the Business Advisory reporting unit, 13.0% for the Enterprise Solutions and Analytics reporting unit, and 15.0% for the Strategy and Innovation reporting unit.

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

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

The Life Sciences reporting unit has also been established primarily through recent business acquisitions: The Frankel Group Associates LLC in January 2014 and Pope Woodhead in January 2017. As discussed above, goodwill is recorded for such business acquisitions as the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed, resulting in the fair value equaling the carrying value at the acquisition date. Based on the results of our annual goodwill impairment test as of November 30, 2017, the Life Sciences reporting unit's fair value exceeded its carrying value by 14%. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. In the event that the financial performance of the reporting unit does not meet our expectations during 2018, we may be required to perform an interim impairment analysis with respect to the carrying value of goodwill for this reporting unit prior to our annual test, and based on the outcome of that analysis, could be required to take a non-cash goodwill impairment charge as a result of any such test.

The table below presents, based on the goodwill impairment test performed as of November 30, 2017, the decrease in the fair value of our reporting units given a 100 basis point increase in the assumed discount rate or a 100 basis point decrease in the assumed long-term annual revenue growth rate. The table below excludes the Enterprise Solutions and Analytics reporting unit as its carrying value of goodwill was reduced to zero as a result of our 2017 annual goodwill impairment test and an increase in the assumed discount rate or a decrease in the assumed long-term growth rate would not result in a change to the non-cash impairment charge.

	Discount rate increased by 100 bps	Long-term growth rate decreased by 100 bps
Healthcare:		
Decrease in fair value	\$ (46,700)	\$ (32,600)
Percentage by which fair value exceeds carrying value	31%	33%
Education:		
Decrease in fair value	\$ (16,900)	\$ (12,600)
Percentage by which fair value exceeds carrying value	106%	110%
Business Advisory:		
Decrease in fair value	\$ (2,200)	\$ (1,400)
Percentage by which fair value exceeds carrying value	107%	110%
Strategy and Innovation:		
Decrease in fair value	\$ (5,500)	\$ (3,100)
Percentage by which fair value exceeds carrying value	27%	30%
Life Sciences		
Decrease in fair value	\$ (2,100)	\$ (1,400)
Percentage by which fair value exceeds carrying value	4%	7%

The carrying values of goodwill for each of our reporting units as of December 31, 2017 are as follows (in thousands):

Reporting Unit	Carrying Value of Goodwill
Healthcare	\$ 428,729
Education	102,829
Business Advisory	16,094
Enterprise Solutions and Analytics	—
Strategy and Innovation	87,411
Life Sciences	10,687
Total	<u>\$ 645,750</u>

Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill. Our intangible assets, net of accumulated amortization, totaled \$72.3 million at December 31, 2017 and primarily consist of customer relationships, trade names, customer contracts, technology and software, non-competition agreements, and publishing content, all of which were acquired through business combinations. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No impairment charges for intangible assets were recorded in 2017.

Income Taxes

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

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

Our tax positions are subject to income tax audits by federal, state, local, and foreign tax authorities. A tax benefit from an uncertain position may be recognized in the financial statements only if it is more likely than not that the position is sustainable, based on its technical merits.

We measure the tax benefit recognized as the largest amount of benefit which is more likely than not to be realized upon settlement with the taxing authority. The estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts and circumstances existing at that time.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 2 "Summary of Significant Accounting Policies" within the notes to the consolidated financial statements for information on new accounting pronouncements.

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

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

Market Risk and Interest Rate Risk

The value of our Convertible Notes is exposed to interest rate risk. Generally, the fair value of our fixed interest rate Convertible Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of our Convertible Notes is affected by our stock price. The carrying value of our Convertible Notes was \$233.1 million as of December 31, 2017, which represents the liability component of the \$250 million principal balance. The estimated fair value of our Convertible Notes at December 31, 2017 was \$232.6 million, and was determined based on the quoted bid price of the Convertible Notes in an over-the-counter market as of the last day of trading for the year ended December 31, 2017, which was \$93.031 per \$100 principal amount. At December 31, 2016, the carrying value of our Convertible Notes was \$224.1 million, and the estimated fair value of our Convertible Notes was \$245.0 million, which was determined based on the quoted bid price of the Convertible Notes in an over-the-counter market as of the last day of trading for the year ended December 31, 2016, which was \$98.007 per \$100 principal amount.

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

We have exposure to changes in interest rates associated with borrowings under our bank credit facility, which has variable interest rates tied to LIBOR or an alternate base rate, at our option. At December 31, 2017, we had borrowings outstanding under the credit facility totaling \$105.0 million that carried a weighted average interest rate of 3.7% including the impact of the interest rate swap described below. A hypothetical 100 basis point change in this interest rate would have a \$0.6 million effect on our pretax income, on an annualized basis, including the effect of the interest rate swap. At December 31, 2016, our borrowings outstanding under the credit facility totaled \$68.0 million and carried a weighted average interest rate of 2.5%, including the effect of the interest rate swap described below. The outstanding borrowings at December 31, 2016 were fully hedged against changes in interest rates by our interest rate swap, which had a notional amount of \$68.0 million at December 31, 2016.

On April 4, 2013, we entered into a forward amortizing interest rate swap agreement effective March 31, 2014 and ending August 31, 2017. We entered into this derivative instrument to hedge against the interest rate risks of our variable-rate borrowings. The swap had an initial notional amount of \$60.0 million and amortized quarterly until April 2016. In April 2016, the notional amount of this interest rate swap increased to \$86.0 million and continued to amortize quarterly until it expired in August 2017. Under the terms of the interest rate swap agreement, we received from the counterparty interest on the notional amount based on one-month LIBOR and we paid to the counterparty a fixed rate of 0.985%.

On June 22, 2017, we entered into a forward interest rate swap agreement effective August 31, 2017 and ending August 31, 2022, with a notional amount of \$50.0 million. We entered into this derivative instrument to continue to hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 1.900%.

We also have exposure to changes in interest rates associated with the promissory note assumed on June 30, 2017 in connection with our purchase of an aircraft, which has variable interest rates tied to LIBOR. At December 31, 2017, the outstanding principal amount of the promissory note was \$4.9 million and carried an interest rate of 3.2%. A hypothetical 100 basis point change in this interest rate would have a de minimis effect on our pretax income.

We do not use derivative instruments for trading or other speculative purposes. From time to time, we invest excess cash in short-term marketable securities. These investments principally consist of overnight sweep accounts. Due to the short maturity of these investments, we have concluded that we do not have material market risk exposure.

We have a non-interest bearing convertible debt investment in a privately-held company, which we account for as an available-for-sale debt security. As such, the investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. As of December 31, 2017, the fair value of the investment was \$39.9 million, with a total cost basis of \$27.9 million. At December 31, 2016, the fair value of the investment was \$34.7 million, with a total cost basis of \$27.9 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2017, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act, and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

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

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

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

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the internal control over financial reporting as of December 31, 2017 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework* (2013). As a result of that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on page F-2 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors, Executive Officers, Promoters and Control Persons

The information required by this item is incorporated by reference from portions of our definitive proxy statement for our annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A by April 30, 2018 (the "Proxy Statement") under "Nominees to Board of Directors," "Directors Not Standing For Election" and "Executive Officers."

Compliance with Section 16(a) of the Exchange Act

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

Code of Business Conduct and Ethics

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

Corporate Governance

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

ITEM 11. EXECUTIVE COMPENSATION.

Executive Compensation

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

Compensation Committee Interlocks and Insider Participation

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

Compensation Committee Report

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information with respect to equity compensation plans approved by shareholders as of December 31, 2017. We do not have equity compensation plans that have not been approved by shareholders.

<u>Plan Category</u>	<u>Number of Shares to be Issued Upon Exercise of Outstanding Options</u>	<u>Weighted Average Exercise Price of Outstanding Options</u>	<u>Number of Shares Remaining Available for Future Issuance (excluding shares in 1st column)</u>
Equity compensation plans approved by shareholders:			
2004 Omnibus Stock Plan ⁽¹⁾	157,680	\$ 26.70	—
2012 Omnibus Incentive Plan ⁽²⁾	36,617	\$ 39.19	1,273,361
Stock Ownership Participation Program ⁽³⁾	—	\$ —	141,153
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
Total	<u>194,297</u>	\$ 29.06	<u>1,414,514</u>

- (1) Our 2004 Omnibus Stock Plan was approved by the existing shareholders prior to our initial public offering. Upon adoption of the 2012 Omnibus Incentive Plan, we terminated the 2004 Omnibus Stock Plan with respect to future awards and no further awards will be granted under this plan.
- (2) Our 2012 Omnibus Incentive Plan was approved by our shareholders at our annual meeting held on May 1, 2012. At our annual meeting held on May 2, 2014, our shareholders approved an amendment to the 2012 Omnibus Incentive Plan to increase the number of shares reserved for issuance thereunder by 850,000 shares. At our annual meeting held on May 5, 2017, our shareholders approved an amended and restated 2012 Omnibus Incentive Plan which increased the number of shares authorized for issuance by 804,000 shares.
- (3) Our Stock Ownership Participation Program was approved by our shareholders at our annual meeting held on May 1, 2015.

Security Ownership of Certain Beneficial Owners and Management

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Transactions

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

Director Independence

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

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Documents filed as part of this Annual Report on Form 10-K.

1. Financial Statements—Our independent registered public accounting firm’s report and our Consolidated Financial Statements are listed below and begin on page F-1 of this Form 10-K.
 - Report of Independent Registered Public Accounting Firm
 - Consolidated Balance Sheets
 - Consolidated Statements of Operations and Other Comprehensive Income
 - Consolidated Statements of Stockholders’ Equity
 - Consolidated Statements of Cash Flows
 - Notes to Consolidated Financial Statements
2. Financial Statement Schedules—The financial statement schedules required by this item are included in the Consolidated Financial Statements and accompanying notes.
3. Exhibit Index

Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Incorporated by Reference			
				Form	Period Ending	Exhibit	Filing Date
2.1	Purchase Agreement, dated as of December 10, 2015, by and among Huron Consulting Group Inc., Huron Consulting Services LLC, Huron Consulting Group Holdings LLC, and Consilio, Inc.			8-K		2.1	1/7/2016
3.1	Third Amended and Restated Certificate of Incorporation of Huron Consulting Group Inc.			10-K	12/31/2004	3.1	2/16/2005
3.2	Amended and Restated Bylaws of Huron Consulting Group Inc.			8-K		3.1	10/28/2015
4.1	Specimen Stock Certificate.			S-1 (File No. 333-115434)		4.1	10/5/2004
4.2	Indenture (including Form of Note) with respect to the Company’s 1.25% Convertible Senior Notes due 2019, dated as of September 10, 2014, between Huron Consulting Group Inc. and U.S. Bank National Association, as trustee.			8-K		4.1	9/16/2014
10.1	Office Lease, dated December 2003, between Union Tower, LLC and Huron Consulting Services LLC (formerly known as Huron Consulting Group LLC).			S-1 (File No. 333-115434)		10.1	10/5/2004
10.2*	Amended and Restated Huron Consulting Group Inc. 2004 Omnibus Stock Plan.			S-8		10.1	5/5/2010
10.3*	Huron Consulting Group Inc. Deferred Compensation Plan as Amended and Restated effective January 1, 2009.			10-K	12/31/2008	10.12	2/24/2009
10.4*	Senior Management Agreement by and between Huron Consulting Group Inc. and John D. Kelly.			8-K		10.1	1/6/2017
10.5*	Amended and Restated Senior Management Agreement by and between Huron Consulting Group Inc. and James H. Roth.			8-K		10.2	1/6/2017
10.6*	Senior Management Agreement by and between Huron Consulting Group Inc. and C. Mark Hussey.			8-K		10.3	1/6/2017

Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Incorporated by Reference			
				Form	Period Ending	Exhibit	Filing Date
10.7*	Senior Management Agreement by and between Huron Consulting Group Inc. and Diane E. Ratekin.			8-K		10.4	1/6/2017
10.8	First Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated August 23, 2004.			10-K	12/31/2012	10.17	2/21/2013
10.9	Second Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated March 14, 2007.			10-K	12/31/2012	10.18	2/21/2013
10.10	Third Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated April 2, 2010.			10-K	12/31/2012	10.19	2/21/2013
10.11	Fourth Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated December 31, 2012.			8-K		10.1	1/4/2013
10.12*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Restricted Stock Agreement.			10-K	12/31/2012	10.20	2/21/2013
10.13	Purchase Agreement, dated as of September 4, 2014, between Huron Consulting Group Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as Representatives of the several Initial Purchasers.			8-K		10.1	9/5/2014
10.14	Base Convertible Bond Hedge Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A.			8-K		10.2	9/5/2014
10.15	Base Convertible Bond Hedge Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch.			8-K		10.3	9/5/2014
10.16	Base Issuer Warrant Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A.			8-K		10.4	9/5/2014
10.17	Base Issuer Warrant Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch.			8-K		10.5	9/5/2014
10.18	Additional Convertible Bond Hedge Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A.			8-K		10.1	9/16/2014
10.19	Additional Convertible Bond Hedge Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch.			8-K		10.2	9/16/2014
10.20	Additional Issuer Warrant Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A.			8-K		10.3	9/16/2014

Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Incorporated by Reference			
				Form	Period Ending	Exhibit	Filing Date
10.21	Additional Issuer Warrant Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch.			8-K		10.4	9/16/2014
10.22*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Restricted Stock Agreement (Stock Ownership Participation Program).			10-K	12/31/2014	10.31	2/24/2015
10.23*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Performance Stock Unit Agreement.			10-K	12/31/2014	10.32	2/24/2015
10.24*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Stock Option Agreement.			10-K	12/31/2014	10.33	2/24/2015
10.25*	Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan NEO Performance Stock Unit Agreement.			10-K	12/31/2014	10.34	2/24/2015
10.26	Second Amended and Restated Credit Agreement, dated as of March 31, 2015, among Huron Consulting Group Inc., as Borrower, certain subsidiaries as Guarantors, the Lenders Party Hereto and Bank of America, N.A., as Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., as Syndication Agent, PNC Bank, Bank of Montreal and Key Bank National Association as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Book Managers.			8-K		10.1	4/2/2015
10.27	Second Amended and Restated Security Agreement, dated as of March 31, 2015.			8-K		10.2	4/2/2015
10.28	Second Amended and Restated Pledge Agreement, dated as of March 31, 2015.			8-K		10.3	4/2/2015
10.29*	Huron Consulting Group Inc. Stock Ownership Participation Program.			DEF 14A		Appendix A	3/20/2015
10.30*	Huron Consulting Group Inc. 2012 Omnibus Incentive Plan, as amended and restated effective May 1, 2017.			DEF 14A		Appendix A	3/27/2017
10.31	Amendment No. 1 of the Second Amended and Restated Credit Agreement, dated as of February 28, 2017, by and among Huron Consulting Group Inc., as Borrower, certain subsidiaries, as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders.			8-K		10.1	3/6/2017
10.32	Amendment No. 2 of the Second Amended and Restated Credit Agreement, dated as of October 24, 2017, by and among Huron Consulting Group Inc., as Borrower, certain subsidiaries, as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders.			10-Q	9/30/2017	10.1	11/1/2017
21.1	List of Subsidiaries of Huron Consulting Group Inc.	X					
23.1	Consent of PricewaterhouseCoopers LLP.	X					

Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Incorporated by Reference			
				Form	Period Ending	Exhibit	Filing Date
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X					
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X					
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X				
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X				
101.INS	XBRL Instance Document.	X					
101.SCH	XBRL Taxonomy Extension Schema Document.	X					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	X					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	X					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	X					

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

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Huron Consulting Group Inc.

(Registrant)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James H. Roth</u> James H. Roth	President, Chief Executive Officer and Director	2/28/2018

POWER OF ATTORNEY

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

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JAMES H. ROTH</u> James H. Roth	President, Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	2/28/2018
<u>/s/ JOHN F. MCCARTNEY</u> John F. McCartney	Non-Executive Chairman of the Board	2/28/2018
<u>/s/ GEORGE E. MASSARO</u> George E. Massaro	Vice Chairman of the Board	2/28/2018
<u>/s/ JOHN D. KELLY</u> John D. Kelly	Executive Vice President, Chief Financial Officer and Treasurer <i>(Principal Financial and Accounting Officer)</i>	2/28/2018
<u>/s/ JAMES D. EDWARDS</u> James D. Edwards	Director	2/28/2018
<u>/s/ H. EUGENE LOCKHART</u> H. Eugene Lockhart	Director	2/28/2018
<u>/s/ JOHN S. MOODY</u> John S. Moody	Director	2/28/2018
<u>/s/ HUGH E. SAWYER</u> Hugh E. Sawyer	Director	2/28/2018
<u>/s/ DEBRA ZUMWALT</u> Debra Zumwalt	Director	2/28/2018

HURON CONSULTING GROUP INC.
CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Huron Consulting Group Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statement of operations and other comprehensive income (loss), statement of stockholders' equity and statement of cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and December 31, 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 28, 2018

We have served as the Company's auditor since 2002.

HURON CONSULTING GROUP INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,909	\$ 17,027
Receivables from clients, net	101,778	94,246
Unbilled services, net	57,618	51,290
Income tax receivable	4,039	4,211
Prepaid expenses and other current assets	10,951	13,308
Total current assets	191,295	180,082
Property and equipment, net	45,541	32,434
Deferred income taxes, net	16,752	—
Long-term investment	39,904	34,675
Other non-current assets	25,375	24,814
Intangible assets, net	72,311	81,348
Goodwill	645,750	799,862
Total assets	\$ 1,036,928	\$ 1,153,215
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 9,194	\$ 7,273
Accrued expenses and other current liabilities	20,144	19,788
Accrued payroll and related benefits	73,698	82,669
Accrued contingent consideration for business acquisitions	8,515	1,985
Deferred revenues	27,916	24,053
Total current liabilities	139,467	135,768
Non-current liabilities:		
Deferred compensation and other liabilities	20,895	24,171
Accrued contingent consideration for business acquisitions, net of current portion	14,313	6,842
Long-term debt, net of current portion	342,507	292,065
Deferred lease incentives	15,333	10,703
Deferred income taxes, net	1,097	35,633
Total non-current liabilities	394,145	369,414
Commitments and contingencies		
Stockholders' equity		
Common stock; \$0.01 par value; 500,000,000 shares authorized; 24,560,468 and 24,126,118 shares issued at December 31, 2017 and December 31, 2016, respectively	241	235
Treasury stock, at cost, 2,443,577 and 2,408,343 shares at December 31, 2017 and December 31, 2016, respectively	(121,994)	(113,195)
Additional paid-in capital	434,256	405,895
Retained earnings	180,443	351,483
Accumulated other comprehensive income	10,370	3,615
Total stockholders' equity	503,316	648,033
Total liabilities and stockholders' equity	\$ 1,036,928	\$ 1,153,215

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

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

	Year Ended December 31,		
	2017	2016	2015
Revenues and reimbursable expenses:			
Revenues	\$ 732,570	\$ 726,272	\$ 699,010
Reimbursable expenses	75,175	71,712	70,013
Total revenues and reimbursable expenses	807,745	797,984	769,023
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):			
Direct costs	454,806	437,556	401,915
Amortization of intangible assets and software development costs	10,932	15,140	16,788
Reimbursable expenses	75,436	71,749	69,932
Total direct costs and reimbursable expenses	541,174	524,445	488,635
Operating expenses and other losses (gains), net:			
Selling, general and administrative expenses	175,364	160,204	157,902
Restructuring charges	6,246	9,592	3,329
Litigation and other losses (gains), net	1,111	(1,990)	(9,476)
Depreciation and amortization	38,213	31,499	25,135
Goodwill impairment charges	253,093	—	—
Total operating expenses and other losses (gains), net	474,027	199,305	176,890
Operating income (loss)	(207,456)	74,234	103,498
Other income (expense), net:			
Interest expense, net of interest income	(18,613)	(16,274)	(18,136)
Other income (expense), net	3,565	1,197	(1,797)
Total other expense, net	(15,048)	(15,077)	(19,933)
Income (loss) from continuing operations before taxes	(222,504)	59,157	83,565
Income tax expense (benefit)	(51,999)	19,677	21,670
Net income (loss) from continuing operations	(170,505)	39,480	61,895
Income (loss) from discontinued operations, net of tax	388	(1,863)	(2,843)
Net income (loss)	\$ (170,117)	\$ 37,617	\$ 59,052
Net earnings (loss) per basic share:			
Net income (loss) from continuing operations	\$ (7.95)	\$ 1.87	\$ 2.80
Income (loss) from discontinued operations, net of tax	0.02	(0.09)	(0.13)
Net income (loss)	\$ (7.93)	\$ 1.78	\$ 2.67
Net earnings (loss) per diluted share:			
Net income (loss) from continuing operations	\$ (7.95)	\$ 1.84	\$ 2.74
Income (loss) from discontinued operations, net of tax	0.02	(0.08)	(0.13)
Net income (loss)	\$ (7.93)	\$ 1.76	\$ 2.61
Weighted average shares used in calculating earnings per share:			
Basic	21,439	21,084	22,136
Diluted	21,439	21,424	22,600
Comprehensive income (loss):			
Net income (loss)	\$ (170,117)	\$ 37,617	\$ 59,052
Foreign currency translation adjustments, net of tax	1,602	64	1,817
Unrealized gain (loss) on investment, net of tax	4,724	(97)	4,435
Unrealized gain (loss) on cash flow hedging instruments, net of tax	429	63	(12)
Other comprehensive income	6,755	30	6,240
Comprehensive income (loss)	\$ (163,362)	\$ 37,647	\$ 65,292

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

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

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2014	<u>24,115,593</u>	<u>\$ 241</u>	<u>(2,109,316)</u>	<u>\$ (94,074)</u>	<u>\$ 442,308</u>	<u>\$ 254,814</u>	<u>\$ (2,655)</u>	<u>\$ 600,634</u>
Comprehensive income						59,052	6,240	65,292
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	504,955	5	(42,797)	(2,506)	2,501			—
Business acquisition	28,486	—			2,204			2,204
Share-based compensation					22,484			22,484
Shares redeemed for employee tax withholdings			(109,967)	(7,154)				(7,154)
Income tax benefit on share-based compensation					3,456			3,456
Share repurchases	(583,880)	(5)			(34,586)			(34,591)
Balance at December 31, 2015	<u>24,065,154</u>	<u>\$ 241</u>	<u>(2,262,080)</u>	<u>\$ (103,734)</u>	<u>\$ 438,367</u>	<u>\$ 313,866</u>	<u>\$ 3,585</u>	<u>\$ 652,325</u>
Comprehensive income						37,617	30	37,647
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	390,348	4	(70,419)	(4,508)	4,504			—
Exercise of stock options	4,706	—			123			123
Share-based compensation					17,929			17,929
Shares redeemed for employee tax withholdings			(88,414)	(4,953)				(4,953)
Income tax benefit on share-based compensation					227			227
Share repurchases	(982,192)	(10)			(55,255)			(55,265)
Balance at December 31, 2016	<u>23,478,016</u>	<u>\$ 235</u>	<u>(2,420,913)</u>	<u>\$ (113,195)</u>	<u>\$ 405,895</u>	<u>\$ 351,483</u>	<u>\$ 3,615</u>	<u>\$ 648,033</u>
Comprehensive income						(170,117)	6,755	(163,362)
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	399,248	4	(58,211)	(3,953)	3,949			—
Business acquisition	221,558	2			9,558			9,560
Share-based compensation					14,419			14,419
Shares redeemed for employee tax withholdings			(112,011)	(4,846)				(4,846)
Cumulative-effect adjustment from adoption of ASU 2016-09					435	(435)		—
Cumulative-effect adjustment from adoption of ASU 2018-02						(488)		(488)
Balance at December 31, 2017	<u>24,098,822</u>	<u>\$ 241</u>	<u>(2,591,135)</u>	<u>\$ (121,994)</u>	<u>\$ 434,256</u>	<u>\$ 180,443</u>	<u>\$ 10,370</u>	<u>\$ 503,316</u>

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

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	\$ (170,117)	\$ 37,617	\$ 59,052
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	50,089	46,816	58,053
Share-based compensation	14,838	16,577	21,487
Amortization of debt discount and issuance costs	10,203	9,609	9,329
Goodwill impairment charge	253,093	—	—
Allowances for doubtful accounts and unbilled services	3,217	4,250	1,025
Deferred income taxes	(53,753)	1,189	6,353
(Gain) loss on sale of businesses	(931)	—	2,303
Change in fair value of contingent consideration liabilities	1,111	(1,990)	(1,126)
Changes in operating assets and liabilities, net of acquisitions and divestitures:			
(Increase) decrease in receivables from clients	1,650	1,440	(2,836)
(Increase) decrease in unbilled services	(4,332)	2,443	31,696
(Increase) decrease in current income tax receivable / payable, net	210	(4,410)	8,818
(Increase) decrease in other assets	(366)	11,904	(14,742)
Increase (decrease) in accounts payable and accrued liabilities	3,732	(3,144)	8,805
Increase (decrease) in accrued payroll and related benefits	(10,966)	3,044	(25,221)
Increase (decrease) in deferred revenues	2,117	3,898	4,859
Net cash provided by operating activities	<u>99,795</u>	<u>129,243</u>	<u>167,855</u>
Cash flows from investing activities:			
Purchases of property and equipment, net	(24,402)	(13,936)	(18,571)
Investment in life insurance policies	(1,826)	(2,035)	(5,804)
Distributions from life insurance policies	2,889	—	—
Purchases of businesses, net of cash acquired	(106,915)	(69,133)	(339,966)
Purchases of convertible debt investment	—	—	(15,438)
Capitalization of internally developed software	(1,370)	(1,086)	(866)
Proceeds from note receivable	1,177	—	—
Proceeds from sale of businesses, net of cash sold	1,499	(446)	108,487
Net cash used in investing activities	<u>(128,948)</u>	<u>(86,636)</u>	<u>(272,158)</u>
Cash flows from financing activities:			
Proceeds from exercises of stock options	—	123	—
Shares redeemed for employee tax withholdings	(4,846)	(4,953)	(7,154)
Share repurchases	—	(55,265)	(34,591)
Proceeds from borrowings under credit facility	277,500	200,000	314,000
Repayments of debt	(240,745)	(224,000)	(365,750)
Payments for debt issuance costs	(408)	—	—
Payments for capital lease obligations	—	—	(48)
Deferred acquisition payments	(2,680)	—	—
Net cash provided by (used in) financing activities	<u>28,821</u>	<u>(84,095)</u>	<u>(93,543)</u>
Effect of exchange rate changes on cash	214	78	(589)
Net decrease in cash and cash equivalents	(118)	(41,410)	(198,435)
Cash and cash equivalents at beginning of the period	17,027	58,437	256,872
Cash and cash equivalents at end of the period	<u>\$ 16,909</u>	<u>\$ 17,027</u>	<u>\$ 58,437</u>
Supplemental disclosure of cash flow information:			
Non-cash investing and financing activities:			
Property and equipment expenditures included in accounts payable and accrued expenses	\$ 1,567	\$ 4,461	\$ 2,089
Promissory note assumed for purchase of property and equipment	\$ 5,113	\$ —	\$ —
Contingent consideration related to business acquisitions	\$ 15,489	\$ 8,754	\$ 2,963
Common stock issued related to business acquisitions	\$ 9,560	\$ —	\$ 2,204
Cash paid during the year for:			
Interest	\$ 9,068	\$ 6,470	\$ 9,274
Income taxes	\$ 5,399	\$ 24,584	\$ 10,955

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

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

1. Description of Business

Huron is a global professional services firm committed to achieving sustainable results in partnership with its clients. We bring a depth of expertise in strategy, technology, operations, advisory services, and analytics to drive lasting and measurable results in the healthcare, higher education, life sciences and commercial sectors.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements reflect the financial position at December 31, 2017 and 2016, and the results of operations and cash flows for the years ended December 31, 2017, 2016, and 2015.

The consolidated financial statements include the accounts of Huron Consulting Group Inc. and its subsidiaries, all of which are wholly-owned. All intercompany balances and transactions have been eliminated in consolidation.

During the second quarter of 2017, we recorded a non-cash pretax goodwill impairment charge of \$209.6 million related to our Healthcare reporting unit. During the fourth quarter of 2017, we identified that our calculation of the non-deductible portion of this goodwill impairment charge erroneously excluded a portion of goodwill that was related to an acquisition completed in 2008 that has since been divested. To correct this error, in the fourth quarter of 2017, we recorded a \$1.5 million decrease to our non-cash pretax goodwill impairment charge with an offsetting \$1.5 million increase to our goodwill balance. We also recorded a \$1.5 million decrease to our income tax benefit with an offsetting \$1.5 million increase to our deferred tax asset balance. This error had no impact on our consolidated net loss from continuing operations, and we concluded that the impact of the error was not material for the second, third, or fourth quarter financial statements, or the financial statements for the year ended December 31, 2017.

During the fourth quarter of 2017, we identified an error on our previously reported consolidated balance sheets as of June 30, 2017 and September 30, 2017 related to the classification of deferred tax assets and liabilities. We incorrectly netted \$1.5 million of deferred tax liabilities related to certain jurisdictions with the deferred tax assets of unrelated jurisdictions as of June 30, 2017 and September 30, 2017. This error has been corrected as of December 31, 2017. This error had no impact on our statement of operations, and we concluded that the impact of the error was not material to the second and third quarter financial statements or the financial statements for the year ended December 31, 2017.

On December 31, 2015, we sold our Huron Legal segment to a third party. The operations of our Huron Legal segment have been classified as discontinued operations in our consolidated statements of operations for all periods presented. As of December 31, 2017 and 2016, no assets or liabilities of the disposed business remained on our consolidated balance sheet. See Note 3 "Discontinued Operations" for additional information on the divestiture of our Huron Legal segment.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Actual results may differ from these estimates and assumptions.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the related services are provided, the price is fixed or determinable, and collectability is reasonably assured. We generate the majority of our revenues from providing professional services under four types of billing arrangements: 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. 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. Estimates of total engagement revenues and cost

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

We also generate revenues from 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.

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 arrangements as the related services or publications are provided.

In performance-based 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. We do not recognize revenues under performance-based billing arrangements until all related performance criteria are met.

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.

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

Provisions are recorded for the estimated realization adjustments on all engagements, including engagements for which fees are subject to review by the bankruptcy courts. Expense reimbursements that are billable to clients are included in total revenues and reimbursable expenses, and typically an equivalent amount of reimbursable expenses are included in total direct costs and reimbursable expenses. Reimbursable expenses are primarily recognized as revenue in the period in which the expense is incurred. Subcontractors that are billed to clients at cost are also included in reimbursable expenses. When billings do not specifically identify reimbursable expenses, we allocate the portion of the billings equivalent to these expenses to reimbursable expenses.

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

Allowances for Doubtful Accounts and Unbilled Services

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

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

Direct Costs and Reimbursable Expenses

Direct costs and reimbursable expenses consist primarily of revenue-generating employee compensation and their related benefits and share-based compensation costs, as well as commissions, the cost of outside consultants or subcontractors assigned to revenue-generating activities, technology costs, other third-party costs directly attributable to our revenue-generating activities, and direct expenses to be reimbursed by clients. Direct costs and reimbursable expenses incurred on engagements are expensed in the period incurred.

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Cash and Cash Equivalents

We consider all highly liquid investments, including overnight investments and commercial paper, with original maturities of three months or less to be cash equivalents.

Concentrations of Credit Risk

To the extent receivables from clients become delinquent, collection activities commence. No single client balance is considered large enough to pose a material credit risk. The allowances for doubtful accounts and unbilled services are based upon the expected ability to collect accounts receivable and bill and collect unbilled services. Management does not anticipate incurring losses on accounts receivable in excess of established allowances. See Note 18 "Segment Information" for concentration of accounts receivable and unbilled services.

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

Long-term Investment

Our long-term investment consists of our convertible debt investment in Shorelight Holdings, LLC. We classified the investment as available-for-sale at the time of purchase and reevaluate such classification as of each balance sheet date. The investment is carried at fair value with unrealized holding gains and losses reported in other comprehensive income. If the investment is in an unrealized loss position, we assess whether the investment is other than temporarily impaired. We consider impairments to be other than temporary if they are related to significant credit deterioration or if it is likely we will sell the security before the recovery of its cost basis. We have not identified any other than temporary impairments for our convertible debt investment. In the event there are realized gains and losses or declines in value judged to be other than temporary, we will record the amount in earnings. See Note 12 "Fair Value of Financial Instruments" for further information on our convertible debt investment.

Fair Value of Financial Instruments

See Note 12 "Fair Value of Financial Instruments" for the accounting policies used to measure the fair value of our financial assets and liabilities that are measured at fair value on a recurring basis.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets. Software, computers, and related equipment are depreciated over an estimated useful life of two to four years. Furniture and fixtures are depreciated over five years. Aircraft are depreciated over ten years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the initial term of the lease.

Software Development Costs

We incur internal and external software development costs related to our cloud computing applications and software for internal use. We capitalize these software development costs incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Once the project is substantially complete and ready for its intended use these costs are amortized on a straight-line basis over the technology's estimated useful life. Acquired technology assets are initially recorded at fair value and amortized on a straight-line basis over the estimated useful life.

We also incur internal and external software development costs related to our software products that will be sold, leased, or otherwise marketed. We expense these software development costs until technological feasibility has been established. Thereafter and until the software is available for general release to customers, these software development costs are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. These capitalized development costs are amortized in proportion to current and future revenue for each product with an annual minimum equal to the straight-line amortization over the remaining estimated economic life of the product.

We classify capitalized software development costs as other non-current assets on our consolidated balance sheet. Unamortized capitalized software development costs were \$2.0 million and \$1.4 million at December 31, 2017 and 2016, respectively. During the years ended December 31, 2017, 2016, and 2015, we amortized \$0.8 million, \$1.1 million, and \$1.0 million, respectively, of capitalized software development costs.

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Intangible Assets Other Than Goodwill

Identifiable intangible assets are amortized over their expected useful lives using a method that reflects the economic benefit expected to be derived from the assets or on a straight-line basis. We evaluate the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a significant decline in forecasted operating results over an extended period of time. We evaluate the recoverability of long-lived assets based on forecasted undiscounted cash flows.

In connection with the goodwill impairment tests performed for the Healthcare and Enterprise Solutions and Analytics reporting units in 2017, which resulted in non-cash goodwill impairment charges, we performed impairment tests on the long-lived assets allocated to the asset groups within the Healthcare and Enterprise Solutions and Analytics reporting units. Based on the impairment tests performed, we concluded that the long-lived assets allocated to the asset groups were not impaired. No impairment charges for long-lived assets were recorded in 2017, 2016, or 2015.

Goodwill

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

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

In 2017, we performed three goodwill impairment tests: an interim impairment test on our Healthcare reporting unit in the second quarter of 2017; an interim impairment test on our Education and Life Sciences reporting units as a result of our segment reorganization in the second quarter of 2017; and the annual impairment test on all reporting units in the fourth quarter of 2017. As a result of these tests, we recorded total non-cash pretax goodwill impairment charges of \$253.1 million. No goodwill impairment charges were recorded in 2016 or 2015. See Note 5 "Goodwill and Intangible Assets" for additional information regarding our interim and annual goodwill impairment tests, and the non-cash goodwill impairment charges recorded in 2017.

Business Combinations

We use the acquisition method of accounting for business combinations. Each acquired company's operating results are included in our consolidated financial statements starting on the date of acquisition. The purchase price is equivalent to the fair value of consideration transferred. Tangible and identifiable intangible assets acquired and liabilities assumed are recorded at fair value as of the acquisition date. Goodwill is recognized for the excess of purchase price over the net fair value of tangible and intangible assets acquired and liabilities assumed. Contingent consideration, which is primarily based on the business achieving certain performance targets, is recognized at its fair value on the acquisition date, and changes in fair value are recognized in earnings until settled. Refer to Note 12 "Fair Value of Financial Instruments" for further information regarding our contingent acquisition liability balances.

Deferred Lease Incentives

We record the portion of the deferred lease incentive liability that we expect to recognize over a period greater than one year as a non-current liability. The non-current portion of the deferred lease incentive liability totaled \$15.3 million and \$10.7 million at December 31, 2017 and 2016, respectively, and was primarily generated from tenant improvement allowances and rent abatement. Deferred lease incentives are amortized on a straight-line basis over the life of the lease. The portion of the deferred lease incentive corresponding to the rent payments that will be paid within 12 months of the balance sheet date is classified as a current liability. We monitor the classification of such liabilities based on the expectation of their utilization periods.

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Income Taxes

Current tax liabilities and assets are recognized for the estimated taxes payable or refundable, respectively, on the tax returns for the current year. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. To the extent that deferred tax assets will not likely be recovered from future taxable income, a valuation allowance is established against such deferred tax assets.

Refer to Note 16 "Income Taxes" for information on the impact of the Tax Cuts and Jobs Act of 2017 ("2017 Tax Reform") enacted in the fourth quarter on our consolidated financial statements.

Share-Based Compensation

Share-based compensation cost is measured based on the grant date fair value of the respective awards. We generally recognize share-based compensation ratably using the straight-line attribution method; however, for those awards with performance criteria and graded vesting features, we use the graded vesting attribution method. It is our policy to account for forfeitures as they occur.

Sponsorship and Advertising Costs

Sponsorship and advertising costs are expensed as incurred. Such expenses for the years ended December 31, 2017, 2016, and 2015 totaled \$6.6 million, \$7.1 million, and \$6.4 million, respectively, and are a component of selling, general and administrative expenses on our consolidated statement of earnings.

Convertible Senior Notes

In September 2014, we issued \$250 million principal amount of 1.25% convertible senior notes due 2019 (the "Convertible Notes") in a private offering. We have separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was determined by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying value of the equity component representing the conversion option, which is recognized as a debt discount, was determined by deducting the fair value of the liability component from the proceeds of the Convertible Notes. The debt discount is amortized to interest expense using the effective interest method over the term of the Convertible Notes. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification. Refer to Note 7 "Financing Arrangements" for further information regarding the Convertible Notes.

Debt Issuance Costs

We amortize the costs we incur to obtain debt financing over the contractual life of the related debt using the effective interest method for non-revolving debt and the straight-line method for revolving debt. The amortization expense is included in interest expense, net of interest income in our statement of earnings. Unamortized debt issuance costs attributable to our revolving credit facility are included as a component of other non-current assets. Unamortized debt issuance costs attributable to our Convertible Notes are recorded as a deduction from the carrying amount of the debt liability.

Foreign Currency

Assets and liabilities of foreign subsidiaries whose functional currency is not the United States Dollar (USD) are translated into the USD using the exchange rates in effect at period end. Revenue and expense items are translated using the average exchange rates for the period. Foreign currency translation adjustments are included in accumulated other comprehensive income, which is a component of stockholders' equity.

Foreign currency transaction gains and losses are included in other income, net on the statement of earnings. We recognized \$0.4 million of foreign currency transaction gains in 2017, de minimis foreign currency transaction gains in 2016, and \$1.6 million of foreign currency transaction losses in 2015.

Segment Reporting

Segments are defined as components of a company that engage in business activities from which they may earn revenues and incur expenses, and for which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker manages the business under three operating segments, which are reportable segments: Healthcare, Education, and Business Advisory. During the second quarter of 2017, we reorganized our internal financial reporting structure, which management uses to assess performance and

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allocate resources, by moving our Life Sciences practice from the Education and Life Sciences segment to the Business Advisory segment. The remaining Education and Life Sciences segment is now referred to as the Education segment. While our consolidated results have not been impacted, we have reclassified our historical segment information for consistent presentation.

New Accounting Pronouncements

Recently Adopted

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 allows entities to reclassify stranded tax effects resulting from the enactment of the 2017 Tax Cuts and Jobs Act ("2017 Tax Reform") from accumulated other comprehensive income to retained earnings. We adopted ASU 2018-02 upon issuance and reclassified \$0.5 million of stranded tax effects, primarily related to our convertible debt investment, from accumulated other comprehensive income to retained earnings as of December 31, 2017. Refer to Note 16 "Income Taxes" for additional information on the 2017 Tax Reform.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 eliminates Step 2 of the goodwill impairment test, which required us to determine the implied fair value of goodwill by allocating the reporting unit's fair value to each of its assets and liabilities as if the reporting unit was acquired in a business acquisition. Instead, the updated guidance requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of the reporting unit to its carrying value, and recognizing a non-cash impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value with the loss not exceeding the total amount of goodwill allocated to that reporting unit. We adopted this ASU in the second quarter of 2017 on a prospective basis and applied the new guidance to our interim goodwill impairment tests performed in the second quarter of 2017 and our annual impairment test performed as of November 30, 2017. Refer to Note 5 "Goodwill and Intangible Assets" for additional information on our interim and annual goodwill impairment tests performed.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, classification of excess tax benefits on the statement of cash flows, and forfeitures. We adopted this guidance in the first quarter of 2017, at which time we began recognizing excess tax benefits and deficiencies as income tax benefit or expense in our consolidated statements of operations on a prospective basis. We recognized \$1.8 million of net excess tax deficiencies as income tax expense in our consolidated statement of operations for the year ended December 31, 2017. Additionally, upon adoption, we began classifying excess tax benefits as an operating activity on the statement of cash flows on a retrospective basis. As a result, we reclassified \$0.9 million and \$3.6 million of excess tax benefits for the years ended December 31, 2016 and 2015, respectively, from cash flows from financing activities to cash flows from operating activities on our statement of cash flows. We elected to account for share-based award forfeitures as they occur, and applied this accounting change on a modified retrospective basis as a cumulative-effect adjustment to retained earnings of \$0.4 million during the first quarter of 2017.

In March 2016, the FASB issued ASU 2016-06, *Derivatives and Hedging: Contingent Put and Call Options in Debt Instruments*. ASU 2016-06 clarifies that in assessing whether an embedded contingent put or call option is clearly and closely related to the debt host, an entity is required to perform only the four-step decision sequence in ASC 815-15-25-42 (as amended by the ASU). The entity does not have to separately assess whether the event that triggers its ability to exercise the contingent option is itself indexed only to interest rates or credit risk. We adopted these amendments in the first quarter of 2017 on a modified retrospective basis. The adoption of these amendments did not have any impact on our consolidated financial statements.

Not Yet Adopted

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments to the guidance improve and simplify accounting rules for hedge accounting to better present the economic results of an entity's risk management activities in its financial statements and improve the disclosures of hedging arrangements. Additionally, ASU 2017-12 simplifies the hedge documentation and effectiveness assessment requirements. The updated guidance is effective for us beginning January 1, 2019. We do not expect this guidance to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-02, *Leases*, which supersedes ASC Topic 840, *Leases*, and sets forth the principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record on the balance sheet a right-of-use asset and a lease liability, equal to the present value of the remaining lease payments, for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or a straight-line basis over the term of the lease. ASU 2016-02 will be effective for us beginning January 1, 2019, with early adoption permitted. Entities are required to

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use a modified retrospective transition method for existing leases. We are currently evaluating the potential impact this guidance will have on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments to the guidance enhance the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation, and disclosure. The updated guidance is effective for us beginning January 1, 2018. We do not expect this guidance to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, as a new Topic, ASC 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In accordance with the new standard, we will adopt ASU 2014-09 on January 1, 2018 using the modified retrospective transition method, under which the new guidance will be applied to the current period presented in the financial statements and a cumulative-effect adjustment will be recorded as of the date of adoption. We are currently completing our analysis to determine the impact of ASC 606 on our consolidated financial statements, and expect the more impactful aspect of ASC 606 will relate to how we recognize revenue under performance-based fee billing arrangements. Currently, we recognize revenue under these arrangements once all related performance criteria are met and the amount to be recognized is fixed or determinable. However, upon adoption of the new standard, we will estimate these amounts and recognize the estimated amounts as services are performed over the contractual term of the engagements. The cumulative-effect adjustment will capture the amount of revenue we would have recognized on all outstanding performance-based fee billing arrangements under ASC 606 as of the adoption date, and record the difference as a cumulative-effect adjustment to retained earnings. Further, ASC 606 provides for certain practical expedients that we intend to use, including the option to expense contract acquisition costs as incurred if the contract term is one year or shorter. We also intend to use the as-invoiced practical expedient, which permits us to recognize revenue in the amount to which we have the right to invoice a customer if that amount corresponds to the value of the performance completed to date.

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3. Discontinued Operations

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

The sale closed on December 31, 2015, at which time we received proceeds of \$110.1 million and recognized a pretax disposal loss of \$2.3 million. The divestiture of the Huron Legal segment represented a strategic shift that had a major effect on our operations and financial results. As such, the operations of our Huron Legal segment have been classified as discontinued operations in our consolidated statements of operations for all periods presented. As of December 31, 2017 and 2016, no assets or liabilities of the disposed business remained on our consolidated balance sheets.

For the year ended December 31, 2017, we recognized income from discontinued operations, net of tax, of \$0.4 million primarily related to updated lease assumptions for vacated office space directly related to the sale of the Huron Legal segment. For the year ended December 31, 2016, we recognized a loss from discontinued operations, net of tax, of \$1.9 million, primarily related to obligations for former employees, legal fees, and updated lease assumptions for vacated office space directly related to the sale of the Huron Legal segment. The table below summarizes the operating results of Huron Legal for the year ended December 31, 2015.

	Year Ended December 31, 2015
Revenues and reimbursable expenses:	
Revenues	\$ 139,430
Reimbursable expenses	3,148
Total revenues and reimbursable expenses	142,578
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):	
Direct costs	95,247
Amortization of intangible assets and software development costs	233
Reimbursable expenses	3,153
Total direct costs and reimbursable expenses	98,633
Operating expenses and other operating gain:	
Selling, general and administrative expenses	20,640
Restructuring charges ⁽¹⁾	13,341
Other gain	(900)
Depreciation and amortization	9,605
Total operating expenses and other operating gain	42,686
Operating income	1,259
Other expense, net	(13)
Income from discontinued operations before taxes	1,246
Loss on disposal	(2,303)
Total loss from discontinued operations before taxes	(1,057)
Income tax benefit ⁽²⁾	1,786
Net loss from discontinued operations	\$ (2,843)

(1) During 2015, the Huron Legal segment incurred a \$13.3 million restructuring charge. Of the \$13.3 million, \$6.1 million related to accelerated depreciation on assets disposed of as a result of the sale, \$5.1 million related to employee costs incurred in connection with the sale, \$1.1 million related to the accrual of our remaining lease obligations for vacated spaces, net of estimated sublease income, and \$1.0 million related to severance costs incurred from prior workforce reductions.

(2) Refer to Note 16 "Income Taxes" for additional detail on the income tax benefit recognized for discontinued operations.

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The table below summarizes the amounts reflected in our consolidated statements of cash flows that relate to the discontinued operations for the year ended December 31, 2015.

	Year Ended December 31, 2015
Depreciation and amortization	\$ 15,974
Share-based compensation	\$ 2,215
Purchases of property and equipment	\$ 6,234
Significant non-cash investing items of discontinued operations:	
Contingent consideration related to a business acquisition	\$ 900

In connection with the sale of Huron Legal, we entered into a transition services agreement ("TSA") with Consilio, under which we provided certain post-closing services, support, and facilities to Consilio to facilitate an orderly transfer of the Huron Legal business operations. Billings under the TSA, which we did not consider to be significant, were recorded as a reduction of the costs to provide the respective services, primarily in selling, general and administrative expenses in the consolidated statements of operations. Services under the TSA ended as of June 30, 2017. We have no continuing involvement with the Huron Legal segment.

4. Acquisitions

2017

Pope Woodhead and Associates Limited

On January 9, 2017, we completed our acquisition of Pope Woodhead and Associates Limited ("Pope Woodhead"), a U.K.-based consulting firm providing market access capabilities to assist clients in developing value propositions for innovative medicines and technologies. The acquisition expands our life sciences strategy expertise and strengthens our ability to lead clients through complex payer and regulatory environments. Pope Woodhead's results of operations have been included in our consolidated financial statements and the results of operations of our Business Advisory segment from the date of acquisition.

ADI Strategies, Inc.

On April 1, 2017, we completed our acquisition of the international assets of ADI Strategies, Inc. ("ADI Strategies") in Dubai and India. We acquired the U.S. assets of ADI Strategies in the second quarter of 2016. ADI Strategies is a leading enterprise performance management, risk management and business intelligence firm. The acquisition strengthens our technology and analytics competencies and expands our global reach. The international results of operations of ADI Strategies have been included in our consolidated financial statements and results of operations of the Business Advisory segment from the date of acquisition.

The acquisitions of ADI Strategies and Pope Woodhead are not significant to our consolidated financial statements individually or in the aggregate as of and for the twelve months ended December 31, 2017.

Innosight Holdings, LLC

On March 1, 2017, we acquired 100% of the membership interests of Innosight Holdings, LLC ("Innosight"). Innosight is a growth strategy firm focused on helping companies navigate disruptive change and manage strategic transformation. Together with Innosight, we use our strategic, operational, and technology capabilities to help clients across multiple industries develop pioneering solutions to address disruption and achieve sustained growth.

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The acquisition was accounted for using the acquisition method of accounting. Tangible and identifiable intangible assets acquired and liabilities assumed are recorded at fair value as of the acquisition date. The current fair values of assets acquired and liabilities assumed are considered preliminary and are based on the information that is currently available. We believe that the information provides a reasonable basis for estimating the preliminary fair values of assets acquired and liabilities assumed, but certain items, such as working capital amounts, may be subject to change as additional information is received. Thus, the provisional measurements of fair value and goodwill are subject to change. We will finalize the valuation in the first quarter of 2018.

The acquisition date fair value of the consideration transferred for Innosight was \$113.6 million, which consisted of the following:

Fair value of consideration transferred

Cash	\$	90,725
Common stock		9,560
Contingent consideration liability		12,050
Net working capital adjustment		1,272
Total consideration transferred	\$	<u>113,607</u>

We funded the cash component of the purchase price with cash on hand and borrowings of \$89.0 million under our senior secured credit facility. We issued 221,558 shares of our common stock as part of the consideration transferred, with an acquisition date fair value of \$9.6 million based on our common stock's closing price of \$43.15 on the date of acquisition. The contingent consideration liability of \$12.1 million represents the acquisition date fair value of the contingent consideration arrangement, pursuant to which we may be required to pay additional consideration to the sellers if specific financial performance targets are met over a four-year term. The maximum amount of contingent consideration that may be paid is \$35.0 million. See Note 12 "Fair Value of Financial Instruments" for additional information on the valuation of contingent consideration liabilities.

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

	<u>March 1, 2017</u>
Assets acquired:	
Accounts receivable	\$ 7,752
Unbilled services	1,881
Prepaid expenses and other current assets	468
Property and equipment	419
Intangible assets	18,015
Liabilities assumed:	
Accounts payable	531
Accrued expenses and other current liabilities	894
Accrued payroll and related benefits	883
Deferred revenues	30
Total identifiable net assets	<u>26,197</u>
Goodwill	87,410
Total purchase price	<u>\$ 113,607</u>

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

	Fair Value	Useful Life in Years
Customer relationships	\$ 9,500	6
Trade name	6,000	6
Customer contracts	1,000	1
Non-compete agreements	1,300	5
Favorable lease contract	215	1
Total intangible assets subject to amortization	<u>\$ 18,015</u>	

The weighted average amortization period for the identifiable intangible assets shown above is 5.6 years. Customer relationships and customer contracts represent the fair values of the underlying relationships and agreements with Innosight customers. The trade name represents the fair value of the brand and name recognition associated with the marketing of Innosight's service offerings. Non-compete agreements represent the value derived from preventing certain Innosight executives from entering into or starting a similar, competing business. The favorable lease contract represents the difference between the fair value and minimum lease obligations under the current outstanding lease. Goodwill is recognized for the excess of purchase price over the net fair value of assets acquired and liabilities assumed, and largely reflects the expanded market opportunities expected from combining the service offerings of Huron and Innosight, as well as the assembled workforce of Innosight. Goodwill recognized in conjunction with the acquisition of Innosight was recorded in the Business Advisory segment. Goodwill of \$87.4 million is expected to be deductible for income tax purposes.

Innosight's results of operations have been included in our unaudited consolidated statements of operations and results of operations of our Business Advisory segment from the date of acquisition. For the year ended December 31, 2017, revenues from Innosight were \$34.3 million and operating loss was \$0.9 million, which included \$3.4 million of amortization expense for intangible assets acquired. In connection with the acquisition of Innosight, we incurred \$1.7 million of transaction and acquisition-related expenses. Of the \$1.7 million of expense, \$1.4 million was incurred in the first quarter of 2017 and \$0.3 million was incurred in the second quarter in 2017. These costs are recorded in selling, general and administrative expenses.

The following unaudited supplemental pro forma information summarizes the combined results of operations of Huron and Innosight as though the companies were combined on January 1, 2016.

	Year Ended December 31,	
	2017	2016
Revenues	\$ 741,695	\$ 769,114
Net income (loss) from continuing operations	\$ (167,346)	\$ 42,760
Net income (loss) from continuing operations per share - basic	\$ (7.79)	\$ 2.01
Net income (loss) from continuing operations per share - diluted	\$ (7.79)	\$ 1.98

The historical financial information has been adjusted to give effect to pro forma adjustments consisting of intangible asset amortization expense, acquisition-related costs, interest expense, and the related income tax effects. The unaudited pro forma information above includes adjustments to include additional expense of \$0.6 million and \$11.4 million for the years ended December 31, 2017 and 2016, respectively. Additionally, the historical financial information has been adjusted to give effect to the shares issued as consideration. All of these adjustments are based upon currently available information and certain assumptions. Therefore, the pro forma consolidated results are not necessarily indicative of what our consolidated results of operations actually would have been had we completed the acquisition on January 1, 2016. The historical results included in the pro forma consolidated results do not purport to project future results of operations of the combined companies nor do they reflect the expected realization of any cost savings or revenue synergies associated with the acquisition.

2016

MyRounding Solutions, LLC

On February 1, 2016, we completed the acquisition of MyRounding Solutions, LLC ("MyRounding"), a Denver, Colorado-based firm specializing in digital health solutions to improve patient care. The MyRounding application is designed to standardize, automate, and track rounding activity, allowing nurses and staff to improve the care and experience of patients in real time. The addition of MyRounding expands

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the integration of our software and consulting solutions and strengthens our transformation services for healthcare providers. The results of operations of MyRounding have been included in our consolidated financial statements and the results of operations of our Healthcare segment from the date of acquisition.

ADI Strategies, Inc.

On May 1, 2016, we completed the acquisition of the U.S. assets of ADI Strategies, Inc. ("ADI Strategies"), a leading enterprise performance management, risk management, and business intelligence firm focused on implementing the Oracle enterprise application suite. The results of operations of ADI Strategies have been included in our consolidated financial statements and the results of operations of our Business Advisory segment from the date of acquisition.

Healthcare Services Management, Inc.

On August 1, 2016, we completed the acquisition of Healthcare Services Management, Inc. ("HSM Consulting"), a firm specializing in healthcare information technology and management consulting. The results of operations of HSM Consulting have been included in our consolidated financial statements and results of operations of our Healthcare segment from the date of acquisition.

The acquisitions of MyRounding, ADI Strategies, and HSM Consulting are not significant to our consolidated financial statements individually or in the aggregate as of and for the twelve months ended December 31, 2016.

2015

Studer Holdings, Inc.

On February 12, 2015, we acquired 100% of the outstanding stock of Studer Holdings, Inc. ("Studer Group") from the existing shareholders in accordance with an Agreement and Plan of Merger dated January 26, 2015 (the "Merger Agreement"). Studer Group is a professional services firm that assists healthcare providers achieve cultural transformation to deliver and sustain improvement in clinical outcomes and financial results. The acquisition combines Healthcare'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.

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

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

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

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The acquisition was accounted for using the acquisition method of accounting. Tangible and identifiable intangible assets acquired and liabilities assumed are recorded at fair value as of the acquisition date. The following table summarizes the allocation of the purchase price to the fair value of assets acquired and liabilities assumed as of the acquisition date.

	February 12, 2015
Assets acquired:	
Accounts receivable	\$ 14,906
Prepaid expenses and other current assets	1,385
Deferred income tax asset	4,335
Property and equipment	4,509
Intangible assets	97,500
Liabilities assumed:	
Accounts payable	760
Accrued expenses and other current liabilities	2,868
Accrued payroll and related benefits	1,574
Deferred revenues	2,449
Deferred income tax liability	21,263
Other non-current liabilities	1,211
Total identifiable net assets	92,510
Goodwill	232,676
Total purchase price	\$ 325,186

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

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

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

Studer Group's results of operations have been included in our consolidated statements of operations and other comprehensive income and results of operations of our Healthcare segment from the date of acquisition. For the year ended December 31, 2015, revenues from Studer Group were \$79.9 million and operating income was \$5.1 million, which included \$21.3 million of amortization expense for intangible assets acquired. In connection with the acquisition of Studer Group, we incurred \$2.1 million of transaction and acquisition-related expenses, \$0.9 million of which were incurred in 2014, and \$1.2 million of which were incurred in 2015. These costs are recorded in selling, general and administrative expenses in the period in which they were incurred.

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The following unaudited supplemental pro forma information summarizes the combined results of operations for Huron and Studer Group for the twelve months ended December 31, 2015 as though the companies were combined on January 1, 2014.

		Year Ended December 31, 2015
Revenues	\$	709,813
Net income from continuing operations	\$	63,600
Net income from continuing operations per share - basic	\$	2.87
Net income from continuing operations per share - diluted	\$	2.81

The historical financial information shown above has been adjusted to give effect to pro forma adjustments totaling \$2.4 million of additional expense, which consist of intangible assets amortization expense, acquisition-related costs, interest expense, and the related income tax effects. The historical per share information has been adjusted to give effect to the shares issued as consideration. These adjustments are based upon currently available information and certain assumptions. Therefore, the pro forma consolidated results are not necessarily indicative of what our consolidated results of operations actually would have been had we completed the acquisition on January 1, 2014. The historical results included in the pro forma consolidated results do not purport to project future results of operations of the combined companies, nor do they reflect the expected realization of any cost savings or revenue synergies associated with the acquisition.

Sky Analytics, Inc.

Effective January 1, 2015, we completed the acquisition of Sky Analytics, Inc. ("Sky Analytics"), a Massachusetts-based provider of legal spend management software for corporate law departments. Sky Analytics' results of operations were included in the results of operations of our Huron Legal segment from the date of acquisition, and classified as discontinued operations upon the sale of the Huron Legal segment in the fourth quarter of 2015. Refer to Note 3 "Discontinued Operations" for additional detail on the sale of the Huron Legal segment.

Rittman Mead India

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

Cloud62, Inc.

Effective October 1, 2015, we completed the acquisition of Cloud62, Inc. ("Cloud62"), a New York-based consulting firm specializing in Salesforce.com implementations and related cloud-based applications. Cloud62's results of operations have been included in our consolidated financial statements and results of operations of our Business Advisory segment from the date of acquisition.

The acquisitions of Sky Analytics, Rittman Mead India, and Cloud62 were not significant to our consolidated financial statements individually or in the aggregate as of and for the twelve months ended December 31, 2015.

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5. Goodwill and Intangible Assets

The table below sets forth the changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2017 and 2016.

	Healthcare	Education	Business Advisory	Total
Balance as of December 31, 2015:				
Goodwill	\$ 610,264	\$ 102,906	\$ 181,213	\$ 894,383
Accumulated impairment losses	—	—	(142,983)	(142,983)
Goodwill, net as of December 31, 2015	\$ 610,264	\$ 102,906	\$ 38,230	\$ 751,400
Goodwill recorded in connection with business combinations ⁽¹⁾	26,538	—	21,824	48,362
Foreign currency translation	—	—	100	100
Balance as of December 31, 2016:				
Goodwill	636,802	102,906	203,137	942,845
Accumulated impairment losses	—	—	(142,983)	(142,983)
Goodwill, net as of December 31, 2016	\$ 636,802	\$ 102,906	\$ 60,154	\$ 799,862
Goodwill recorded in connection with business combinations ⁽¹⁾	8	10,252	88,183	98,443
Goodwill impairment charge	(208,081)	—	(45,012)	(253,093)
Goodwill reallocation ⁽²⁾	—	(10,794)	10,794	—
Goodwill allocated to disposal of business ⁽³⁾	—	—	(568)	(568)
Foreign currency translation	—	465	641	1,106
Balance as of December 31, 2017:				
Goodwill	636,810	102,829	302,187	1,041,826
Accumulated impairment losses	(208,081)	—	(187,995)	(396,076)
Goodwill, net as of December 31, 2017:	\$ 428,729	\$ 102,829	\$ 114,192	\$ 645,750

- (1) Refer to Note 4 "Acquisitions" for additional information on the goodwill recorded in connection with business combinations.
- (2) In the second quarter of 2017, we reorganized our internal financial reporting structure, which management uses to assess performance and allocate resources, by moving our Life Sciences practice from the Education and Life Sciences segment to the Business Advisory segment. The remaining Education and Life Sciences segment is now referred to as the Education segment. The Life Sciences practice is a separate reporting unit for purposes of goodwill impairment testing. See Note 18 "Segment Information" for additional information on our reportable segments.
- (3) On June 16, 2017, we sold our Life Sciences Compliance and Operations practice ("Life Sciences C&O") to a third-party, and allocated a portion of goodwill within the Life Sciences reporting unit to the disposed business based on the relative fair values of Life Sciences C&O and the remaining reporting unit. The allocated goodwill of \$0.6 million was written off and included in the gain on sale of Life Sciences C&O. The sale of Life Sciences C&O did not meet the criteria for reporting separately as discontinued operations. In connection with the sale, we recorded a \$0.9 million gain which is included in other income, net in our consolidated statements of operations.

Second Quarter 2017 Goodwill Impairment Charge

During the second quarter of 2017, we performed a goodwill impairment analysis for our Healthcare reporting unit as our Healthcare business had experienced a prolonged period of declining revenues, primarily driven by softness in our revenue cycle offering within our performance improvement solution. This softness was attributable to decreased demand for our services, the winding down of some of our larger projects, and a trend toward smaller projects, as well as fewer large integrated projects. In light of these challenges, several initiatives were undertaken to improve the segment's financial performance, including repositioning our solutions to address the most critical needs of our clients, the expansion of our existing services such as those in our Studer Group, strategy, physician and technology offerings, and workforce reductions to better align resources with market demand. While these initiatives have yielded some positive impacts, hospitals and health systems continue to face regulatory and funding uncertainty; therefore, we remain cautious about near-term growth. As we had previously

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disclosed in prior quarters, if the financial performance of our Healthcare segment continued to decline and did not meet our expectations, we could be required to perform an interim impairment analysis with respect to our carrying value of goodwill for the Healthcare reporting unit prior to our usual annual test. Based on forecasts prepared in the second quarter of 2017 in connection with our quarterly forecasting cycle, we determined that the likely time frame to improve the financial results of this segment would take longer than originally anticipated. As such, we concluded, during the second quarter of 2017, that the fair value of the Healthcare reporting unit may have no longer exceeded its carrying value. In connection with the preparation of our financial statements for the quarter ended June 30, 2017, we performed an interim impairment test on the Healthcare reporting unit.

Our goodwill impairment test was performed by comparing the fair value of the Healthcare reporting unit with its carrying value and, in accordance with ASU 2017-04, which we adopted in the second quarter of 2017, recognizing an impairment charge for the amount by which the carrying value exceeded the fair value. To estimate the fair value of the Healthcare reporting unit, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. Based on the estimated fair value of the Healthcare reporting unit, we recorded a \$209.6 million non-cash pretax charge in the second quarter of 2017 to reduce the carrying value of goodwill in our Healthcare reporting unit. As discussed in Note 2 "Summary of Significant Accounting," during the fourth quarter of 2017, we identified that our calculation of the non-deductible portion of our goodwill impairment charge recorded in the second quarter of 2017 erroneously excluded a portion of goodwill that was related to an acquisition completed in 2008 and has since been divested. To correct this error, in the fourth quarter of 2017, we recorded a \$1.5 million decrease to our non-cash pretax goodwill impairment charge related to our Healthcare reporting unit. The total non-cash pretax goodwill impairment charge recorded in 2017 related to our Healthcare reporting unit, including the adjustment in the fourth quarter of 2017, was \$208.1 million.

In connection with the goodwill impairment test performed on the Healthcare reporting unit, we performed an impairment test on the long-lived assets allocated to the asset groups within the Healthcare reporting unit. Based on the impairment test performed, we concluded that the long-lived assets allocated to the asset groups within the Healthcare reporting unit were not impaired as of June 30, 2017.

Second Quarter 2017 Goodwill Reallocation

As a result of the segment reorganization in the second quarter of 2017, we reallocated \$10.8 million of the goodwill balance associated with the previous Education and Life Sciences reporting unit to the new Life Sciences reporting unit based on the relative fair values of the Life Sciences reporting unit and the remaining Education reporting unit. The estimated fair values were determined using a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting.

In conjunction with the goodwill reallocation, we performed a goodwill impairment test for the goodwill balances within our Education reporting unit and Life Sciences reporting unit as of June 1, 2017. Based on the results of the goodwill impairment test, we determined that the fair values of our Education reporting unit and Life Sciences reporting unit exceeded their carrying values. As such, we concluded that there was no indication of goodwill impairment for either reporting unit at that time.

2017 Annual Goodwill Impairment Test

Pursuant to our policy, we performed our annual goodwill impairment test as of November 30, 2017 for our six reporting units with goodwill balances: Healthcare, Education, Business Advisory, Enterprise Solutions and Analytics, Strategy and Innovation, and Life Sciences. We elected to bypass the qualitative assessment and proceeded directly to the quantitative goodwill impairment test.

For each reporting unit, we reviewed goodwill for impairment by comparing the fair value of the reporting unit to its carrying value, including goodwill. In estimating the fair value of each reporting unit, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. Based on the results of the goodwill impairment test, we determined that the fair value of the Healthcare, Education, Business Advisory, Strategy and Innovation, and Life Sciences reporting units exceeded its carrying value by 40%, 120%, 115%, 33%, and 14%, respectively. As such, we concluded that there was no indication of goodwill impairment for these five reporting units. However, the results of the quantitative impairment test indicated that the fair value of the Enterprise Solutions and Analytics reporting unit did not exceed its carrying value. Based on the estimated fair value of the Enterprise Solutions and Analytics reporting unit, we recorded a \$45.0 million non-cash pretax charge to reduce the carrying value of this reporting unit's goodwill to zero.

Our Enterprise Solutions and Analytics reporting unit was established with the acquisition of Blue Stone International, LLC in 2013. Since that time, we completed five additional business acquisitions within the reporting unit, most recently the acquisitions of the U.S. assets and international assets of ADI Strategies in May 2016 and April 2017, respectively. We record the assets acquired and liabilities assumed in business combinations, including identifiable intangible assets, at their estimated fair values as of the acquisition date, and goodwill is recorded as the excess of the fair value of consideration transferred, including any contingent consideration, over the fair value of the net assets acquired. Therefore, the initial accounting for an acquisition results in its fair value equaling its carrying value. As we have previously disclosed in prior quarters, due to this reporting unit's relatively low headroom, in the event that the financial performance of the reporting unit

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did not meet our expectations during 2017, we could be required to take a non-cash impairment charge as a result of any goodwill impairment test. During the first three quarters of 2017, the performance of Enterprise Solutions and Analytics continued to reasonably meet our expectations. However, both revenues and operating margin during the fourth quarter of 2017 fell short of our expectations resulting in a reduction in workforce within the reporting unit during that quarter. Further, in connection with our annual budget process for 2018, which coincided with our annual goodwill impairment test during the fourth quarter of 2017, we determined that the reporting unit's expected future revenue growth rates and operating margin would be lower than previously anticipated for this reporting unit. As a result, our goodwill impairment test indicated that the fair value of the Enterprise Solutions and Analytics reporting unit no longer exceeded its carrying value, and we recorded a \$45.0 million non-cash pretax charge to write off the entire carrying value of this reporting unit's goodwill.

In connection with the goodwill impairment test performed on the Enterprise Solutions and Analytics reporting unit, we performed an impairment test on the long-lived assets allocated to the asset groups within the Enterprise Solutions and Analytics reporting unit. Based on the impairment test performed, we concluded that the long-lived assets allocated to the asset groups within the Enterprise Solutions and Analytics reporting unit were not impaired as of November 30, 2017.

Further, we evaluated whether any events have occurred or any circumstances have changed since November 30, 2017 that would indicate any additional goodwill may have become impaired since our annual impairment test. Based on our evaluation as of December 31, 2017, which included the impact of the 2017 Tax Reform on our deferred tax balances and forecasted tax rates, we determined that no indications of impairment have arisen since our annual goodwill impairment test. The results of an impairment analysis are as of a point in time. There is no assurance that the actual future earnings or cash flows of our reporting units will be consistent with our projections. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. Any significant decline in our operations could result in additional non-cash goodwill impairment charges.

Intangible Assets

Intangible assets as of December 31, 2017 and 2016 consisted of the following:

	Useful Life in Years	As of December 31,			
		2017		2016	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	4 to 13	\$ 106,195	\$ 51,588	\$ 89,279	\$ 34,827
Trade names	2 to 6	29,016	18,915	22,930	11,652
Customer contracts	1 to 4	25,154	24,751	26,497	21,295
Technology and software	3 to 5	9,340	5,098	8,970	2,667
Non-competition agreements	3 to 5	5,163	2,637	3,685	1,697
Publishing content	3	3,300	3,163	3,300	2,062
Favorable lease contract	3	720	425	720	203
In-process technology	Indefinite	—	—	370	—
Total		\$ 178,888	\$ 106,577	\$ 155,751	\$ 74,403

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. Customer relationships and customer contracts, as well as certain trade names and technology and software, are amortized on an accelerated basis to correspond to the cash flows expected to be derived from the assets. All other intangible assets with finite lives are amortized on a straight-line basis. In connection with the acquisition of MyRounding, we acquired in-process technology which was accounted for as an indefinite-lived intangible asset until the development of the technology was complete, which occurred in the first quarter of 2017. Upon completion, we reclassified the technology to definite-lived technology and software, and began amortizing the asset over a five-year useful life on a straight-line basis.

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Intangible assets amortization expense was \$35.0 million, \$33.1 million, and \$28.7 million for the years ended December 31, 2017, 2016, and 2015, respectively. The table below sets forth the estimated annual amortization expense for each of the five succeeding years for the intangible assets recorded as of December 31, 2017.

Year Ending December 31,	Estimated Amortization Expense
2018	\$ 23,936
2019	\$ 17,279
2020	\$ 12,116
2021	\$ 8,070
2022	\$ 6,092

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

6. Property and Equipment, Net

Depreciation expense for property and equipment was \$13.3 million, \$12.5 million, and \$12.3 million for the years ended December 31, 2017, 2016, and 2015, respectively. Property and equipment, net at December 31, 2017 and 2016 consisted of the following:

	As of December 31,	
	2017	2016
Computers, related equipment, and software	\$ 46,216	\$ 48,607
Leasehold improvements	45,244	38,502
Furniture and fixtures	16,434	12,545
Aircraft	7,541	—
Assets under construction	250	294
Property and equipment	115,685	99,948
Accumulated depreciation and amortization	(70,144)	(67,514)
Property and equipment, net	<u>\$ 45,541</u>	<u>\$ 32,434</u>

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7. Financing Arrangements

A summary of the carrying amounts of our debt follows:

	As of December 31,	
	2017	2016
1.25% convertible senior notes due 2019	\$ 233,140	\$ 224,065
Senior secured credit facility	105,000	68,000
Promissory note due 2024	4,868	—
Total long-term debt	<u>\$ 343,008</u>	<u>\$ 292,065</u>
Current maturities of debt ⁽¹⁾	(501)	—
Long-term debt, net of current portion	<u>\$ 342,507</u>	<u>\$ 292,065</u>

- (1) The current maturities of debt are included as a component of accrued expenses and other current liabilities on our consolidated balance sheets.

Below is a summary of the scheduled remaining principal payments of our debt as of December 31, 2017.

	Principal Payments of Long-Term Debt
2018	\$ 501
2019	\$ 250,515
2020	\$ 105,529
2021	\$ 544
2022	\$ 559
Thereafter	\$ 2,221

Convertible Notes

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

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

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

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

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- during any calendar quarter (and only during such calendar quarter) commencing after December 31, 2014 if, for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on, and including, the last trading day of the immediately preceding calendar quarter, the last reported sale price of the Company's common stock for such trading day is equal to or greater than 130% of the applicable conversion price on such trading day;
- during the five consecutive business day period immediately following any five consecutive trading day period (such five consecutive trading day period, the "measurement period") in which, for each trading day of the measurement period, the "trading price" (as defined in the Indenture) per \$1,000 principal amount of the Convertible Notes for such trading day was less than 98% of the product of the last reported sale price of the Company's common stock for such trading day and the applicable conversion rate on such trading day; or
- upon the occurrence of specified corporate transactions described in the Indenture.

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

We have separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was determined by measuring the fair value of a similar liability that does not have an associated convertible feature, assuming our non-convertible debt borrowing rate. The carrying value of the equity component representing the conversion option, which is recognized as a debt discount, was determined by deducting the fair value of the liability component from the proceeds of the Convertible Notes. The debt discount is amortized to interest expense using an effective interest rate of 4.751% over the term of the Convertible Notes. As of December 31, 2017, the remaining life of the Convertible Notes is 1.8 years. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

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

As of December 31, 2017 and 2016, the Convertible Notes consisted of the following:

	As of December 31,	
	2017	2016
Liability component:		
Proceeds	\$ 250,000	\$ 250,000
Less: debt discount, net of amortization	(14,668)	(22,520)
Less: debt issuance costs, net of amortization	(2,192)	(3,415)
Net carrying amount	<u>\$ 233,140</u>	<u>\$ 224,065</u>
Equity component ⁽¹⁾	<u>\$ 39,287</u>	<u>\$ 39,287</u>

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

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

	Year Ended December 31,		
	2017	2016	2015
Contractual interest coupon	\$ 3,125	\$ 3,125	\$ 3,125
Amortization of debt discount	7,851	7,488	7,141
Amortization of debt issuance costs	1,224	1,201	1,180
Total interest expense	<u>\$ 12,200</u>	<u>\$ 11,814</u>	<u>\$ 11,446</u>

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

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

- *Convertible Note Hedge Transactions.* In connection with the issuance of the Convertible Notes, the Company entered into convertible note hedge transactions whereby the Company has call options to purchase a total of approximately 3.1 million shares of the Company's common stock, which is the number of shares initially issuable upon conversion of the Convertible Notes in full, at a price of approximately \$79.89, which corresponds to the initial conversion price of the Convertible Notes, subject to customary anti-dilution adjustments substantially similar to those in the Convertible Notes. The convertible note hedge transactions are exercisable upon conversion of the Convertible Notes and will expire in 2019 if not earlier exercised. We paid an aggregate amount of \$42.1 million for the convertible note hedge transactions, which was recorded as additional paid-in capital on the consolidated balance sheets. The convertible note hedge transactions are separate transactions and are not part of the terms of the Convertible Notes.
- *Warrants.* In connection with the issuance of the Convertible Notes, the Company sold warrants whereby the holders of the warrants have the option to purchase a total of approximately 3.1 million shares of the Company's common stock at a strike price of approximately \$97.12. The warrants will expire incrementally on 100 different dates from January 6, 2020 to May 28, 2020 and are exercisable at each such expiry date. If the average market value per share of our common stock for the reporting period exceeds the strike price of the warrants, the warrants will have a dilutive effect on our earnings per share. We received aggregate proceeds of \$23.6 million from the sale of the warrants, which was recorded as additional paid-in capital on the consolidated balance sheets. The warrants are separate transactions and are not part of the terms of the Convertible Notes or the convertible note hedge transactions.

The Company recorded an initial deferred tax liability of \$15.4 million in connection with the debt discount associated with the Convertible Notes and recorded an initial deferred tax asset of \$16.5 million in connection with the convertible note hedge transactions. The deferred tax liability and deferred tax asset are included in deferred income taxes, net on the consolidated balance sheets.

Senior Secured Credit Facility

The Company has a \$500 million five-year senior secured revolving credit facility, subject to the terms of a Second Amended and Restated Credit Agreement dated as of March 31, 2015, as amended to date (as amended and modified the "Amended Credit Facility"), that becomes due and payable in full upon maturity on March 31, 2020. The Amended Credit Agreement provides the option to increase the revolving credit facility or establish term loan facilities in an aggregate amount of up to \$100 million, subject to customary conditions and the approval of any lender whose commitment would be increased, resulting in a maximum available principal amount under the Amended Credit Agreement of \$600 million. The initial borrowings under the Amended Credit Agreement were used to refinance borrowings outstanding under a prior credit agreement, and future borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, acquisitions of businesses, share repurchases, and general corporate purposes.

Fees and interest on borrowings vary based on our Consolidated Leverage Ratio (as defined in the Amended Credit Agreement). At our option, borrowings under the Amended Credit Agreement will bear interest at one, two, three or six-month LIBOR or an alternate base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.25% per annum and 2.00% per annum, in the case of LIBOR borrowings, or between 0.25% per annum and 1.00% per annum, in the case of base rate loans, based upon our Consolidated Leverage Ratio at such time.

Amounts borrowed under the Amended Credit Agreement may be prepaid at any time without premium or penalty. We are required to prepay the amounts outstanding under the Amended Credit Agreement in certain circumstances, including a requirement to pay all amounts outstanding 90 days prior to the Convertible Indebtedness Maturity Date (as defined in the Amended Credit Agreement) unless (1) the Convertible Indebtedness Maturity Date is waived or extended to a later date, (2) the Company can demonstrate (a) Liquidity (as defined in the Amended Credit Agreement) in an amount at least equal to the principal amount due on the Convertible Indebtedness Maturity Date, and (b) financial covenant compliance after giving effect to such payments and any additional indebtedness incurred on a pro forma basis, or (3) this requirement is waived by the Required Lenders (as defined in the Amended Credit Agreement). In addition, we have the right to permanently reduce or terminate the unused portion of the commitments provided under the Amended Credit Agreement at any time.

The loans and obligations under the Amended Credit Agreement are secured pursuant to a Second Amended and Restated Security Agreement and a Second Amended and Restated Pledge Agreement (the "Pledge Agreement") with Bank of America, N.A. as collateral agent, pursuant to which the Company and the subsidiary guarantors grant Bank of America, N.A., for the ratable benefit of the lenders under

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the Amended Credit Agreement, a first-priority lien, subject to permitted liens, on substantially all of the personal property assets of the Company and the subsidiary guarantors, and a pledge of 100% of the stock or other equity interests in all domestic subsidiaries and 65% of the stock or other equity interests in each "material first-tier foreign subsidiary" (as defined in the Pledge Agreement).

The Amended Credit Agreement contains usual and customary representations and warranties; affirmative and negative covenants, which include limitations on liens, investments, additional indebtedness, and restricted payments; and two quarterly financial covenants as follows: (i) a maximum Consolidated Leverage Ratio (defined as the ratio of debt to consolidated EBITDA) ranging from 3.25 to 1.00 to 3.75 to 1.00, depending on the measurement period, and (ii) a minimum Consolidated Interest Coverage Ratio (defined as the ratio of consolidated EBITDA to interest) of 3.50 to 1.00. Consolidated EBITDA for purposes of the financial covenants is calculated on a continuing operations basis and includes adjustments to add back, among other items, share-based compensation costs, non-cash goodwill impairment charges, non-cash restructuring charges, and pro forma historical EBITDA for businesses acquired. At December 31, 2017, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 3.02 to 1.00 and a Consolidated Interest Coverage Ratio of 12.43 to 1.00.

Borrowings outstanding under the Amended Credit Agreement at December 31, 2017 totaled \$105.0 million. These borrowings carried a weighted average interest rate of 3.7%, including the impact of the interest rate swap described in Note 11 "Derivative Instruments and Hedging Activity" that was in effect at December 31, 2017. Borrowings outstanding under the Amended Credit Agreement at December 31, 2016 were \$68.0 million and carried a weighted average interest rate of 2.5%, including the impact of the interest rate swap that was in effect at December 31, 2016. The borrowing capacity under the revolving credit facility is reduced by any outstanding borrowings under the revolving credit facility and outstanding letters of credit. At December 31, 2017, we had outstanding letters of credit totaling \$1.9 million, which are primarily used as security deposits for our office facilities. As of December 31, 2017, the unused borrowing capacity under the revolving credit facility was \$393.1 million.

Promissory Note due 2024

On June 30, 2017, in conjunction with our purchase of an aircraft related to the acquisition of Innosight, we assumed, from the sellers of the aircraft, a promissory note with an outstanding principal balance of \$5.1 million. The principal balance of the promissory note is subject to scheduled monthly principal payments until the maturity date of March 1, 2024, at which time a final payment of \$1.5 million, plus any accrued and unpaid interest, will be due. Under the terms of the promissory note, we will pay interest on the outstanding principal amount at a rate of one-month LIBOR plus 1.97% per annum. The obligations under the promissory note are secured pursuant to a Loan and Aircraft Security Agreement with Banc of America Leasing & Capital, LLC, which grants the lender a first priority security interest in the aircraft. At December 31, 2017, the outstanding principal amount of the promissory note was \$4.9 million. As of December 31, 2017, the aircraft had a carrying amount of \$6.5 million.

8. Capital Structure

Preferred Stock

We are authorized to issue up to 50,000,000 shares of preferred stock. Our certificate of incorporation authorizes our board of directors, without any further stockholder action or approval, to issue these shares in one or more classes or series, to establish from time to time the number of shares to be included in each class or series, and to fix the rights, preferences and privileges of the shares of each wholly unissued class or series and any of its qualifications, limitations or restrictions. As of December 31, 2017 and 2016, no such preferred stock has been approved or issued.

Common Stock

We are authorized to issue up to 500,000,000 shares of common stock, par value \$.01 per share. The holders of common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders. Subject to the rights and preferences of the holders of any series of preferred stock that may at the time be outstanding, holders of common stock are entitled to such dividends as our board of directors may declare. In the event of any liquidation, dissolution or winding-up of our affairs, after payment of all of our debts and liabilities and subject to the rights and preferences of the holders of any series of preferred stock that may at the time be outstanding, holders of common stock will be entitled to receive the distribution of any of our remaining assets.

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9. Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period, excluding unvested restricted common stock. Diluted earnings per share reflects the potential reduction in earnings per share that could occur if securities or other contracts to issue common stock were exercised or converted into common stock under the treasury stock method. Such securities or other contracts include unvested restricted stock awards, outstanding common stock options, convertible senior notes, and outstanding warrants, to the extent dilutive. In periods for which we report a net loss from continuing operations, diluted weighted average common shares outstanding excludes all potential common stock equivalents as their impact on diluted net loss from continuing operations per share would be anti-dilutive.

Earnings (loss) per share under the basic and diluted computations are as follows:

	Year Ended December 31,		
	2017	2016	2015
Net income (loss) from continuing operations	\$ (170,505)	\$ 39,480	\$ 61,895
Income (loss) from discontinued operations, net of tax	388	(1,863)	(2,843)
Net income (loss)	<u>\$ (170,117)</u>	<u>\$ 37,617</u>	<u>\$ 59,052</u>
Weighted average common shares outstanding—basic	21,439	21,084	22,136
Weighted average common stock equivalents	—	340	464
Weighted average common shares outstanding—diluted	<u>21,439</u>	<u>21,424</u>	<u>22,600</u>
Net earnings (loss) per basic share:			
Net income (loss) from continuing operations	\$ (7.95)	\$ 1.87	\$ 2.80
Income (loss) from discontinued operations, net of tax	0.02	(0.09)	(0.13)
Net income (loss)	<u>\$ (7.93)</u>	<u>\$ 1.78</u>	<u>\$ 2.67</u>
Net earnings (loss) per diluted share:			
Net income (loss) from continuing operations	\$ (7.95)	\$ 1.84	\$ 2.74
Income (loss) from discontinued operations, net of tax	0.02	(0.08)	(0.13)
Net income (loss)	<u>\$ (7.93)</u>	<u>\$ 1.76</u>	<u>\$ 2.61</u>

The number of anti-dilutive securities excluded from the computation of the weighted average common stock equivalents presented above were as follows:

	As of December 31,		
	2017	2016	2015
Unvested restricted stock awards	636	2	21
Outstanding common stock options	194	—	—
Convertible senior notes	3,129	3,129	3,129
Warrants related to the issuance of convertible senior notes	3,129	3,129	3,129
Total anti-dilutive securities	<u>7,088</u>	<u>6,260</u>	<u>6,279</u>

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

We currently have a share repurchase program permitting us to repurchase up to \$125 million of our common stock through October 31, 2018 (the "Share Repurchase Program"). The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, capacity under our credit facility, general market and business conditions, and applicable legal requirements. No shares were repurchased under this program in 2017. In 2016, we repurchased and retired 982,192 shares for \$55.3 million, and in 2015, we repurchased and retired 583,880 shares for \$34.6 million. As of December 31, 2017, \$35.1 million remains available for share repurchases.

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10. Restructuring Charges

In 2017, we incurred \$6.2 million of pretax restructuring expense. This expense primarily consisted of the following charges:

Severance - We incurred \$3.7 million of severance expense as a result of workforce reductions to better align resources with market demand. Of the \$3.7 million, \$2.1 million related to our Healthcare segment, \$1.1 million related to our Business Advisory segment, and \$0.4 million related to our corporate operations.

Office exit costs - We incurred \$2.4 million of office exit costs primarily related to the accrual of remaining lease obligations, net of estimated sublease income, due to relocating our San Francisco office to a smaller space and consolidating our Chicago and New York offices, and accelerated depreciation on leasehold improvements for our San Francisco office.

Of the \$6.2 million pretax restructuring charge, \$2.1 million was related to our Healthcare segment, \$1.1 million was related to our Business Advisory segment, and \$2.9 million was related to our corporate operations.

In 2016, we incurred \$9.6 million of pretax restructuring expense. This expense consisted of the following charges:

Severance - We incurred \$7.3 million of severance expense as a result of workforce reductions, of which \$6.4 million was related to our Healthcare and Business Advisory segments to better align our resources with market demand and \$0.9 million was related to our corporate infrastructure as a result of our Huron Legal divestiture.

Office exit costs - We incurred \$1.5 million of office exit costs primarily related to our Washington, D.C. space that we vacated in the fourth quarter of 2014. During the third quarter of 2016, we entered into a sublease agreement and adjusted our Washington, D.C. lease accrual to reflect the terms specified in the sublease agreement.

Other - We also incurred \$0.8 million of restructuring expense related to the wind down of our foreign consulting operations based in the Middle East and other exit costs.

Of the \$9.6 million pretax restructuring charge, \$5.8 million was related to our Healthcare segment, \$3.2 million was related to our corporate operations, and \$0.6 million was related to our Business Advisory segment.

In 2015, we incurred \$3.3 million of pretax restructuring expense. This expense primarily consisted of the following charges:

Severance - We incurred \$2.8 million of severance expense as a result of workforce reductions to better align our resources with market demand.

Office exit costs - We incurred \$0.5 million of 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 restructuring expense, \$1.2 million was related to our Healthcare segment, \$1.1 million was 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 was related to our corporate operations.

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The table below sets forth the changes in the carrying amount of our restructuring charge liability by restructuring type for the years ended December 31, 2017 and 2016.

	Employee Costs	Office Space Reductions	Other	Total
Balance as of December 31, 2015	\$ 2,323	\$ 6,379	\$ —	\$ 8,702
Additions ⁽¹⁾	9,082	57	585	9,724
Payments	(5,906)	(2,424)	(482)	(8,812)
Adjustments ⁽¹⁾	(317)	1,765	245	1,693
Non-cash items	—	(4)	(324)	(328)
Balance as of December 31, 2016	5,182	5,773	24	10,979
Additions ⁽¹⁾	3,859	2,426	110	6,395
Payments	(7,611)	(2,860)	5	(10,466)
Adjustments ⁽¹⁾	(117)	(973)	(78)	(1,168)
Non-cash items	(46)	(119)	(61)	(226)
Balance as of December 31, 2017	\$ 1,267	\$ 4,247	\$ —	\$ 5,514

- (1) Additions and adjustments for the years ended December 31, 2017 and 2016 include a gain of \$1.0 million and a charge of \$2.0 million, respectively, related to updated lease assumptions for vacated offices spaces directly related to discontinued operations. Refer to Note 3 "Discontinued Operations" for additional information on our discontinued operations.

As of December 31, 2017, our restructuring charge liability related to office space reductions of \$4.2 million represented the present value of remaining lease payments, net of estimated sublease income, primarily for our vacated office spaces in Washington, D.C., Houston, Chicago, and San Francisco. This restructuring charge liability is included as a component of accrued expenses and other current liabilities and deferred compensation and other liabilities. All of the \$1.3 million restructuring charge liability related to employee costs at December 31, 2017 is expected to be paid in 2018. The restructuring charge liability related to employee costs is included as a component of accrued payroll and related benefits.

11. Derivative Instruments and Hedging Activity

On April 4, 2013, we entered into a forward amortizing interest rate swap agreement effective March 31, 2014 which ended August 31, 2017. We entered into this derivative instrument to hedge against the interest rate risks of our variable-rate borrowings. The swap had an initial notional amount of \$60.0 million and amortized quarterly until April 2016. In April 2016, the notional amount of this interest rate swap increased to \$86.0 million and continued to amortize quarterly until it expired in August 2017. Under the terms of the interest rate swap agreement, we received from the counterparty interest on the notional amount based on one-month LIBOR and we paid to the counterparty a fixed rate of 0.985%.

On June 22, 2017, we entered into a forward interest rate swap agreement effective August 31, 2017 and ending August 31, 2022, with a notional amount of \$50.0 million. We entered into this derivative instrument to continue to hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 1.900%.

We recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. We have designated these derivative instruments as cash flow hedges. Therefore, changes in the fair value of the derivative instruments are recorded to other comprehensive income ("OCI") to the extent effective and reclassified into interest expense upon settlement. The ineffective portion of the change in fair value of the derivative instruments is recognized in interest expense. Our interest rate swap agreement was effective during the year ended December 31, 2017. As of December 31, 2017, it was anticipated that less than \$0.1 million of the accumulated other comprehensive income, net of tax, currently recorded on our consolidated balance sheet will be reclassified into earnings within the next 12 months.

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The table below sets forth additional information relating to our interest rate swaps designated as cash flow hedging instruments as of December 31, 2017 and 2016.

Balance Sheet Location	Fair Value (Derivative Asset and Liability)	
	As of December 31,	
	2017	2016
Other non-current assets	\$ 581	\$ —
Accrued expenses	\$ 48	\$ 54

All of our derivative instruments are transacted under the International Swaps and Derivatives Association (ISDA) master agreements. These agreements permit the net settlement of amounts owed in the event of default and certain other termination events. Although netting is permitted, it is our policy to record all derivative assets and liabilities on a gross basis on our consolidated balance sheet.

We do not use derivative instruments for trading or other speculative purposes. Refer to Note 13 "Other Comprehensive Income (Loss)" for additional information on our derivative instrument.

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12. Fair Value of Financial Instruments

Certain of our assets and liabilities are measured at fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value and requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy consists of three levels based on the objectivity of the inputs as follows:

Level 1 Inputs	Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
Level 2 Inputs	Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3 Inputs	Unobservable inputs for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability.

The table below sets forth our fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016.

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Assets:				
Interest rate swaps	\$ —	\$ 533	\$ —	\$ 533
Promissory note	—	—	1,078	1,078
Convertible debt investment	—	—	39,904	39,904
Deferred compensation assets	—	17,786	—	17,786
Total assets	\$ —	\$ 18,319	\$ 40,982	\$ 59,301
Liabilities:				
Contingent consideration for business acquisitions	\$ —	\$ —	\$ 22,828	\$ 22,828
Total liabilities	\$ —	\$ —	\$ 22,828	\$ 22,828
December 31, 2016				
Assets:				
Promissory note	\$ —	\$ —	\$ 2,325	\$ 2,325
Convertible debt investment	—	—	34,675	34,675
Deferred compensation assets	—	16,408	—	16,408
Total assets	\$ —	\$ 16,408	\$ 37,000	\$ 53,408
Liabilities:				
Interest rate swaps	\$ —	\$ 54	\$ —	\$ 54
Contingent consideration for business acquisitions	—	—	8,827	8,827
Total liabilities	\$ —	\$ 54	\$ 8,827	\$ 8,881

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

Promissory note: As part of the consideration received for the sale of our Accounting Advisory practice on December 30, 2011, we received a \$3.5 million promissory note payable over four years. During the fourth quarter of 2017, we amended and restated the note which established

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scheduled annual principal payments, increased the interest rate, reduced the outstanding principal amount by \$0.5 million, and extended the maturity date to September 30, 2020. Additionally, at the closing of this amended promissory note, we received a \$1.0 million principal payment. As a result of the amendment, we recorded a \$0.3 million fair value remeasurement loss on the promissory note which is recorded in other income (expense), net in the consolidated statement of operations. The scheduled principal payments will be paid to us annually until the maturity date of September 30, 2020, at which time the remaining principal balance and any accrued interest is due. The fair value of the note is based on the net present value of the projected cash flows using a discount rate of 10%, which accounts for the risks associated with the amended note. This fair value measurement is based on significant inputs not observable in the market and thus represent Level 3 inputs. As of December 31, 2017, \$0.5 million is recorded in prepaid expenses and other current assets and represents the present value of the payments expected to be received in the next 12 months, and the remaining \$0.6 million is recorded in other non-current assets. As of December 31, 2017, there was \$1.0 million principal amount outstanding under the promissory note.

The table below sets forth the changes in the balance of the promissory note for the years ended December 31, 2017 and 2016.

	Promissory Note	
Balance as of December 31, 2015	\$	2,309
Interest payments received		(191)
Change in fair value of promissory note		207
Balance as of December 31, 2016		2,325
Interest payments received		(185)
Principal payments received		(1,177)
Change in fair value of promissory note		115
Balance as of December 31, 2017	\$	1,078

Convertible debt investment: In 2014 and 2015, we invested \$27.9 million, in the form of zero coupon convertible debt, in Shorelight Holdings, LLC ("Shorelight"), the parent company of Shorelight Education, a U.S.-based company that partners with leading nonprofit universities to increase access to and retention of international students, boost institutional growth, and enhance an institution's global footprint. The notes will mature on July 1, 2020, unless converted earlier.

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

The investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. We estimated the fair value of our investment using a Monte Carlo simulation model, cash flow projections discounted at a risk-adjusted rate, and certain assumptions related to equity volatility, default probability, and recovery rate, all of which are Level 3 inputs. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the investment, which would result in different impacts to our consolidated balance sheet and comprehensive income. Actual results may differ from our estimates. The fair value of the convertible debt investment is recorded in long-term investment.

The table below sets forth the changes in the balance of the convertible debt investment for the years ended December 31, 2017 and 2016.

	Convertible Debt Investment	
Balance as of December 31, 2015	\$	34,831
Change in fair value of convertible debt investment		(156)
Balance as of December 31, 2016		34,675
Change in fair value of convertible debt investment		5,229
Balance as of December 31, 2017	\$	39,904

Deferred compensation assets: We have a non-qualified deferred compensation plan (the "Plan") for the members of our board of directors and a select group of our employees. The deferred compensation liability is funded by the Plan assets, which consist of life insurance policies maintained within a trust. The cash surrender value of the life insurance policies approximates fair value, and is based on third-party broker statements which provide the fair value of the life insurance policies' underlying investments, which are Level 2 inputs. The cash surrender value of the life insurance policies is invested primarily in mutual funds. The Plan assets are included in other non-current assets on our

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consolidated balance sheet. Realized and unrealized gains (losses) from the deferred compensation assets are recorded to other income (expense), net in our consolidated statements of operations.

Contingent consideration for business acquisitions: We estimate the fair value of acquisition-related contingent consideration using either a probability-weighted assessment of the specific financial performance targets being achieved or a Monte Carlo simulation model, as appropriate. These fair value measurements are based on significant inputs not observable in the market and thus represent Level 3 inputs. The significant unobservable inputs used in the fair value measurements of our contingent consideration are our measures of the estimated payouts based on internally generated financial projections on a probability-weighted basis and discount rates, which typically reflect a risk-free rate. The fair value of the contingent consideration is reassessed quarterly based on assumptions used in our latest projections and input provided by practice leaders and management. Any change in the fair value estimate is recorded in our consolidated statement of operations for that period. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of our contingent consideration liability, which would result in different impacts to our consolidated balance sheets and consolidated statements of operations. Actual results may differ from our estimates. Refer to Note 4 "Acquisitions" for information on the acquisitions completed in 2017, 2016, and 2015.

The table below sets forth the changes in the balance of the contingent consideration for business acquisitions for the years ended December 31, 2017 and 2016.

	Contingent Consideration for Business Acquisitions	
Balance as of December 31, 2015	\$	2,063
Acquisitions		8,754
Remeasurement of contingent consideration for business acquisitions		(1,990)
Balance as of December 31, 2016		8,827
Acquisitions		15,489
Payments		(2,938)
Remeasurement of contingent consideration for business acquisitions		1,111
Unrealized loss due to foreign currency translation		339
Balance as of December 31, 2017	\$	22,828

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

Senior Secured Credit Facility

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

Promissory Note due 2024

The carrying value of our promissory note due 2024 is stated at cost. Our carrying value approximates fair value, using Level 2 inputs, as the promissory note bears interest at rates based on current market rates as set forth in the terms of the promissory note. Refer to Note 7 "Financing Arrangements" for additional information on our promissory note due 2024.

Convertible Notes

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

	December 31, 2017		December 31, 2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
1.25% convertible senior notes due 2019	\$ 233,140	\$ 232,578	\$ 224,065	\$ 245,018

The differences between the \$250 million principal amount of the Convertible Notes and the carrying amounts shown above represent the unamortized debt discount and issuance costs. As of December 31, 2017 and 2016, the carrying value of the equity component of \$39.3

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million was unchanged from the date of issuance. Refer to Note 7 “Financing Arrangements” for additional information on our Convertible Notes. The estimated fair value of the Convertible Notes was determined based on the quoted bid price of the Convertible Notes in an over-the-counter market, which is a Level 2 input, on the last day of trading for the quarters ended December 31, 2017 and 2016.

Based on the closing price of our common stock of \$40.45 on December 31, 2017, the if-converted value of the Convertible Notes was less than the principal amount.

Cash and cash equivalents are stated at cost, which approximates fair market value. The carrying values of all other financial instruments not described above reasonably approximate fair market value due to the nature of the financial instruments and the short-term maturity of these items.

13. Other Comprehensive Income (Loss)

The table below sets forth the components of accumulated other comprehensive income (loss), net of tax for the years ended December 31, 2017, 2016, and 2015.

	Foreign Currency Translation	Available-for- Sale Investments	Cash Flow Hedges ⁽¹⁾	Total
Balance as of December 31, 2014	\$ (2,334)	\$ (250)	\$ (71)	\$ (2,655)
Foreign currency translation adjustment, net of tax of \$0	(403)	—	—	(403)
Reclassification adjustment into earnings, net of tax of \$0 ⁽²⁾	2,220	—	—	2,220
Unrealized gain on investments, net of tax of \$(2,709)	—	4,435	—	4,435
Unrealized gain (loss) on cash flow hedges:				
Change in fair value, net of tax of \$327	—	—	(492)	(492)
Reclassification adjustment into earnings, net of tax of \$(320)	—	—	480	480
Balance as of December 31, 2015	(517)	4,185	(83)	3,585
Foreign currency translation adjustment, net of tax of \$0	64	—	—	64
Unrealized loss on investments, net of tax of \$59	—	(97)	—	(97)
Unrealized gain (loss) on cash flow hedges:				
Change in fair value, net of tax of \$122	—	—	(179)	(179)
Reclassification adjustment into earnings, net of tax of \$(161)	—	—	242	242
Balance as of December 31, 2016	(453)	4,088	(20)	3,615
Foreign currency translation adjustment, net of tax of \$0	1,602	—	—	1,602
Unrealized gain on investments:				
Change in fair value, net of tax of \$(998)	—	4,231	—	4,231
Reclassification adjustment into retained earnings ⁽³⁾	—	493	—	493
Unrealized gain (loss) on cash flow hedges:				
Change in fair value, net of tax of \$(106)	—	—	366	366
Reclassification adjustment into earnings, net of tax of \$(46)	—	—	69	69
Reclassification adjustment into retained earnings ⁽³⁾	—	—	(6)	(6)
Balance as of December 31, 2017	<u>\$ 1,149</u>	<u>\$ 8,812</u>	<u>\$ 409</u>	<u>\$ 10,370</u>

- (1) The before tax amounts reclassified from accumulated other comprehensive income (loss) related to our cash flow hedges are recorded to interest expense, net of interest income.
- (2) In connection with the divestiture of Huron Legal, which included the sale of certain wholly-owned foreign subsidiaries, we reclassified \$2.2 million of accumulated translation losses to net income from discontinued operations.

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- (3) Upon adoption of ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, we reclassified \$0.5 million of stranded tax effects, which resulted from the enactment of the 2017 Tax Reform, from accumulated other comprehensive income to retained earnings. Refer to Note 2 "Summary of Significant Accounting Policies" for additional information on the adoption of ASU 2018-02.

14. Employee Benefit and Deferred Compensation Plans

We sponsor a qualified defined contribution 401(k) plan covering substantially all of our employees. Under the plan, employees are entitled to make pretax contributions and/or Roth post-tax contributions up to the annual maximums established by the Internal Revenue Service. We match an amount equal to the employees' contributions up to 6% of the employees' salaries. Our matching contributions, including those related to our discontinued operations, for the years ended December 31, 2017, 2016, and 2015 were \$20.0 million, \$19.4 million, and \$17.6 million, respectively.

We have a non-qualified deferred compensation plan (the "Plan") that is administered by our board of directors or a committee designated by the board of directors. Under the Plan, members of the board of directors and a select group of our employees may elect to defer the receipt of their director retainers and meeting fees or base salary and bonus, as applicable. Additionally, we may credit amounts to a participant's deferred compensation account in accordance with employment or other agreements entered into between us and the participant. At our sole discretion, we may, but are not required to, credit any additional amount we desire to any participant's deferred compensation account. Amounts credited are subject to vesting schedules set forth in the Plan, employment agreement, or any other agreement entered into between us and the participant. The deferred compensation liability at December 31, 2017 and 2016 was \$17.7 million and \$16.4 million, respectively. This deferred compensation liability is funded by the Plan assets.

15. Equity Incentive Plans

In 2012, Huron adopted the 2012 Omnibus Incentive Plan (the "2012 Plan"), in order to increase the number of shares of common stock available as equity compensation to employees, non-employee directors, and independent contractors, and to make certain updates to reflect changes in market practices. The 2012 Plan replaced, on a prospective basis, our 2004 Omnibus Stock Plan (the "2004 Plan") such that future grants will be granted under the 2012 Plan and any outstanding awards granted under the 2004 Plan that are cancelled, expired, forfeited, settled in cash, or otherwise terminated without a delivery of shares to the participant will not become available for grant under the 2012 Plan. The 2012 Plan permits the grant of stock options, stock appreciation rights, restricted stock, performance shares and other share-based or cash-based awards valued in whole or in part by reference to, or otherwise based on, our common stock. The 2012 Plan was amended on May 2, 2014 to increase the number of shares authorized for issuance by 850,000 shares. On May 5, 2017, an amendment and restatement of the 2012 Plan was approved by shareholders to increase the number of shares authorized for issuance by 804,000 shares. As of December 31, 2017, approximately 1.3 million shares remain available for issuance under the 2012 Plan.

On May 1, 2015, we adopted the Stock Ownership Participation Program (the "SOPP"), which is available to Huron employees below the managing director level who do not receive equity-based awards as part of their normal compensation plan. Under the SOPP, eligible employees may elect to use after-tax payroll deductions, or cash contributions, to purchase shares of the Company's common stock on certain designated purchase dates. Employees who purchase stock under the SOPP are granted restricted stock equal to 25% of their purchased shares. Vesting of the restricted stock is subject to both a time-based vesting schedule and a requirement that the purchased shares be held for a specified holding period. The initial number of shares available for issuance under the SOPP was 300,000. Prior to adopting the SOPP, the matching share grants and the employee purchased shares under the stock ownership participation program were governed by the 2012 Plan. As of December 31, 2017, approximately 0.1 million shares remain available for issuance under the SOPP.

It has been our practice to issue shares of common stock upon exercise of stock options and granting of restricted stock from authorized but unissued shares, with the exception of the SOPP under which shares are issued from treasury stock. Certain grants of restricted stock under the 2012 Plan may be issued from treasury stock at the direction of the Compensation Committee.

The Compensation Committee of the board of directors has the responsibility of interpreting the 2012 Plan and SOPP and determining all of the terms and conditions of awards made under the plans, including when the awards will become exercisable or otherwise vest. In 2013, the Compensation Committee amended certain share-based awards outstanding under our 2012 Plan and our 2004 Plan to provide for a retirement eligibility provision. Under this provision, eligible employees who have reached 62 years of age and have completed seven years of employment with Huron will continue vesting in their share-based awards after retirement, subject to certain conditions. This retirement eligibility provision will also apply to future awards granted to eligible employees under the 2012 Plan.

Total share-based compensation cost recognized for the years ended December 31, 2017, 2016, and 2015 was \$14.8 million, \$16.6 million, and \$19.2 million, respectively, with related income tax benefits of \$5.8 million, \$6.4 million, and \$7.6 million, respectively. As of

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December 31, 2017, there was \$17.6 million of total unrecognized compensation cost related to nonvested share-based awards. This cost is expected to be recognized over a weighted average period of 2.2 years.

Restricted Stock Awards

The grant date fair values of our restricted stock awards are measured based on the fair value of our common stock at grant date and amortized into expense over the service period. Subject to acceleration under certain conditions, the majority of our restricted stock vests annually over four years.

The table below summarizes the restricted stock activity for the year ended December 31, 2017.

	Number of Shares			Weighted Average Grant Date Fair Value (in dollars)
	2012 Omnibus Incentive Plan	Stock Ownership Participation Program	Total	
Nonvested restricted stock at December 31, 2016	610	12	622	\$ 59.77
Granted	270	14	284	\$ 42.11
Vested	(247)	(9)	(256)	\$ 57.80
Forfeited	(72)	(4)	(76)	\$ 59.18
Nonvested restricted stock at December 31, 2017	561	13	574	\$ 51.97

The aggregate fair value of restricted stock that vested during the years ended December 31, 2017, 2016, and 2015 was \$11.1 million, \$14.9 million, and \$23.9 million, respectively. The weighted average grant date fair value per share of restricted stock granted during 2016 and 2015 was \$56.28 and \$66.21, respectively.

Performance-based Share Awards

During 2017, 2016, and 2015, the Company granted performance-based share awards to our named executive officers and certain managing directors. The total number of shares earned by recipients of these awards is contingent upon meeting practice specific and Company-wide performance goals. Following the performance period, the awards are subject to the completion of a service period, which is generally an additional one to three years. The earned awards vest on a graded vesting schedule over the service period. For certain performance awards, the recipients may earn additional shares of stock for performance achieved above the stated target. The grant date fair values of our performance-based share awards are measured based on the fair value of our common stock at grant date. Compensation cost is amortized into expense over the service period, including the performance period.

The table below summarizes the performance-based stock activity for the year ended December 31, 2017. All nonvested performance-based stock outstanding at December 31, 2016 and 2017 was granted under the 2012 Omnibus Incentive Plan.

	Number of Shares	Weighted Average Grant Date Fair Value (in dollars)
Nonvested performance-based stock at December 31, 2016	239	\$ 58.47
Granted ⁽¹⁾	328	\$ 42.75
Vested	(85)	\$ 61.66
Forfeited ⁽²⁾	(129)	\$ 54.85
Nonvested performance-based stock at December 31, 2017 ⁽³⁾	353	\$ 44.45

(1) Shares granted in 2017 are presented at the stated target, which represents the base number of shares that could be earned. Actual shares earned may be below or, for certain grants, above the target based on the achievement of specific financial goals.

(2) Forfeited shares include shares forfeited as a result of not meeting the performance criteria of the award as well as shares forfeited upon termination.

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- (3) Of the 353,000 nonvested performance-based shares outstanding as of December 31, 2017, approximately 316,000 shares were unearned and subject to achievement of specific financial goals. Once earned, the awards will be subject to time-based vesting according to the terms of the award. Based on 2017 financial results, approximately 235,000 of the 316,000 unearned shares will be forfeited in the first quarter of 2018.

The aggregate fair value of performance-based stock that vested during the years ended December 31, 2017, 2016, and 2015 was \$3.6 million, \$3.0 million, and \$6.5 million, respectively. The weighted average grant date fair value per share of performance-based stock granted during 2016 and 2015 was \$55.52 and \$66.63, respectively.

Stock Options

Prior to 2014, the Company granted stock option awards to certain named executive officers. No stock option awards were granted in 2017, 2016, or 2015. The exercise prices of stock options are equal to the fair value of a share of common stock on the date of grant. Subject to acceleration under certain conditions, our stock options vest annually over four years. All stock options have a 10-year contractual term.

Stock option activity for the year ended December 31, 2017 was as follows:

	Number of Options (in thousands)	Weighted Average Exercise Price (in dollars)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2016	194	\$ 29.06	4.3	\$ 4.2
Granted	—			
Exercised	—			
Forfeited or expired	—			
Outstanding at December 31, 2017 ⁽¹⁾	<u>194</u>	<u>\$ 29.06</u>	<u>3.3</u>	<u>\$ 2.2</u>
Exercisable at December 31, 2017	<u>194</u>	<u>\$ 29.06</u>	<u>3.3</u>	<u>\$ 2.2</u>

- (1) Of the 194,000 outstanding options, approximately 157,000 were granted under the 2004 Omnibus Stock Plan, and the remaining 37,000 options were granted under the 2012 Omnibus Incentive Plan.

No options were exercised in 2017. The aggregate intrinsic value of options exercised during 2016 was \$0.1 million. No options were exercised in 2015.

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16. Income Taxes

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (“2017 Tax Reform”), a tax reform bill which, among other items, reduces the current corporate federal income tax rate from 35% to 21% and moves from a worldwide tax system to a territorial system. The rate reduction is effective January 1, 2018. As a result of the enactment of the legislation in 2017, we have estimated the remeasurement of our net deferred taxes based on the new lower tax rate, as well as provided for additional one-time income tax expense estimates primarily related to the transition tax on accumulated foreign earnings and elimination of foreign tax credits for dividends that are subject to the 100 percent exemption in our consolidated financial statements as of and for the year ended December 31, 2017. Our provisional analysis resulted in \$8.8 million of additional income tax expense for the year ended December 31, 2017. Of the \$8.8 million, \$7.9 million related to the remeasurement of our deferred tax balances at the lower federal income tax rate; \$0.6 million related to the transition tax on accumulated foreign earnings, net of applicable foreign tax credits; and \$0.3 million related to withholding tax on outside basis differences due to our change in assertion for permanent reinvestment. The impacts on our financial statements as a result of 2017 Tax Reform are considered provisional and are based on the information that is currently available. These provisional results may be subject to future adjustments as additional analysis is anticipated based on technical corrections and regulatory interpretations to come. We expect to finalize the analysis as soon as practicable, but, in accordance with Staff Accounting Bulletin (“SAB”) No. 118, which was issued as a result of 2017 Tax Reform, not later than one year from the enactment date. Any changes to our provisional analysis will be included as an adjustment to tax expense or benefit in the period the amounts are determined.

The income tax expense for continuing operations for the years ended December 31, 2017, 2016, and 2015 consists of the following:

	Year Ended December 31,		
	2017	2016	2015
Current:			
Federal	\$ (635)	\$ 15,726	\$ 4,806
State	545	1,623	2,380
Foreign	2,040	1,021	350
Total current	<u>1,950</u>	<u>18,370</u>	<u>7,536</u>
Deferred:			
Federal	(46,103)	1,662	12,450
State	(6,576)	(274)	1,482
Foreign	(1,270)	(81)	202
Total deferred	<u>(53,949)</u>	<u>1,307</u>	<u>14,134</u>
Income tax expense for continuing operations	<u>\$ (51,999)</u>	<u>\$ 19,677</u>	<u>\$ 21,670</u>

The components of income from continuing operations before taxes were as follows:

	Year Ended December 31,		
	2017	2016	2015
U.S.	\$ (221,137)	\$ 56,141	\$ 85,164
Foreign	(1,367)	3,016	(1,599)
Total	<u>\$ (222,504)</u>	<u>\$ 59,157</u>	<u>\$ 83,565</u>

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A reconciliation of the U.S. statutory income tax rate to our effective tax rate for continuing operations is as follows:

	Year Ended December 31,		
	2017	2016	2015
Percent of pretax income from continuing operations:			
At U.S. statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.7	1.7	4.6
Goodwill impairment charges	(10.2)	—	—
U.S. federal rate change	(3.4)	—	—
Transition tax on accumulated foreign earnings, net of credits	(0.3)	—	—
Stock-based compensation	(0.8)	—	—
Meals and entertainment	(0.3)	1.1	0.6
Valuation allowance	(0.2)	(3.2)	0.5
Foreign source income	0.1	(0.5)	0.5
Tax credits / Section 199 Deduction	0.2	(1.1)	(1.0)
Net tax benefit related to "check-the-box" election ⁽¹⁾	1.2	—	(14.7)
Other	(0.6)	0.3	0.4
Effective income tax rate for continuing operations	<u>23.4%</u>	<u>33.3%</u>	<u>25.9%</u>

- (1) In the fourth quarter of 2015, we made a tax election 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 realized 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. Due to the expiration of statute of limitations, in the third quarter of 2017, we recognized a \$2.7 million tax benefit, including the reversal of accrued interest and penalties, related to a previously unrecognized tax benefit from our "check-the-box" election made in 2014 to treat one of our wholly-owned foreign subsidiaries as a disregarded entity for U.S federal income tax purposes.

The effective tax rate for discontinued operations in 2017 was 60.0%, based on tax expense of \$0.6 million and pretax income from discontinued operations of \$1.0 million, and was higher than the statutory tax rate primarily due to the settlement of foreign tax audits. The effective tax rate for discontinued operations in 2016 was (33.4)%, based on tax benefits of \$0.9 million and a pretax loss from discontinued operations of \$2.8 million, and was lower than the statutory tax rate primarily due to an increase in the valuation allowance for foreign tax credits. The effective tax rate for discontinued operations in 2015 was 169.0%, based on tax expense of \$1.8 million and a pretax loss from discontinued operations of \$1.1 million, and was higher than the statutory tax rate primarily due to the tax expense recognized from the sale of the Huron Legal segment. Refer to Note 3 "Discontinued Operations" for further detail on the sale of the Huron Legal segment.

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The net deferred tax liabilities for continuing operations at December 31, 2017 and 2016 consisted of the following:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2016</u>
Deferred tax assets:		
Share-based compensation	\$ 5,674	\$ 10,151
Accrued payroll and other liabilities	7,010	10,004
Intangibles and goodwill	2,137	—
Deferred lease incentives	4,352	4,666
Convertible note hedge transactions	250	12,197
Revenue recognition	1,586	1,983
Restructuring charge liability	1,104	2,230
Net operating loss carry-forwards	495	92
Tax credits	1,918	1,804
Other	882	1,934
Total deferred tax assets	<u>25,408</u>	<u>45,061</u>
Valuation allowance	<u>(1,247)</u>	<u>(626)</u>
Net deferred tax assets	<u>24,161</u>	<u>44,435</u>
Deferred tax liabilities:		
Prepaid expenses	(1,229)	(2,500)
Property and equipment	(4,031)	(2,933)
Intangibles and goodwill	—	(60,411)
Convertible note discount	(3)	(11,586)
Convertible debt investment	(3,110)	(2,600)
Other	(133)	(38)
Total deferred tax liabilities	<u>(8,506)</u>	<u>(80,068)</u>
Net deferred tax asset (liability) for continuing operations	<u>\$ 15,655</u>	<u>\$ (35,633)</u>

As of December 31, 2017 and 2016, we had valuation allowances of \$1.2 million and \$0.6 million, respectively, primarily due to uncertainties relating to the ability to utilize deferred tax assets recorded for foreign losses. The increase in valuation allowances in 2017 primarily related to increases of net operating losses in jurisdictions where the net operating loss credits cannot be benefited and valuation allowances recorded on certain tax credits.

We have federal and state tax credit carry-forwards of \$1.9 million which expire in 2022 and 2019, respectively. We have no federal net operating losses or state net operating loss carry-forwards as of December 31, 2017.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

A reconciliation of our beginning and ending amount of unrecognized tax benefits is as follows:

	Unrecognized Tax Benefits	
Balance at January 1, 2015	\$	2,488
Additions based on tax positions related to the current year		735
Balance at December 31, 2015		<u>3,223</u>
Additions based on tax positions related to the current year		117
Balance at December 31, 2016		<u>3,340</u>
Decrease due to lapse of statute of limitations		(2,410)
Decrease based on tax positions related to the prior year		(117)
Balance at December 31, 2017	<u>\$</u>	<u>813</u>

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As of December 31, 2017, we had \$0.8 million of unrecognized tax benefits which would affect the effective tax rate of continuing operations if recognized.

As of December 31, 2017 and 2016, we had \$0.1 million and \$0.3 million accrued for the potential payment of interest and penalties. Accrued interest and penalties are recorded as a component of provision for income taxes on our consolidated statement of earnings.

We file income tax returns with federal, state, local and foreign jurisdictions. Tax years 2013 through 2016 are subject to future examinations by federal tax authorities. Tax years 2010 through 2016 are subject to future examinations by state and local tax authorities. Currently, the Company is not under audit by any tax authority. Our foreign income tax filings are subject to future examinations by the local foreign tax authorities for tax years 2010 through 2016.

17. Commitments, Contingencies and Guarantees

Lease Commitments

We lease office space under non-cancelable operating lease arrangements expiring on various dates through 2028, with various renewal options. Our principal executive offices located in Chicago, Illinois are under a lease expiring in September 2024. We have a five-year renewal option that will allow us to continue to occupy this office space until September 2029. Office facilities under operating leases include fixed or minimum payments plus, in some cases, scheduled base rent increases over the term of the lease. Certain leases require monthly payments of real estate taxes, insurance and other operating expenses applicable to the property. Some of the leases contain provisions whereby the future rental payments may be adjusted for increases in operating expenses above the specified amount. Rent expense, including operating costs and taxes, for the years ended December 31, 2017, 2016, and 2015 was \$14.3 million, \$11.5 million, and \$12.3 million, respectively. Future minimum rental commitments under non-cancelable leases and sublease income as of December 31, 2017, are as follows:

	Operating Lease Obligations	Sublease Income
2018	\$ 14,739	\$ 1,316
2019	13,444	291
2020	12,266	—
2021	11,298	—
2022	10,409	—
Thereafter	37,804	—
Total	<u>\$ 99,960</u>	<u>\$ 1,607</u>

Litigation

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

Guarantees

Guarantees in the form of letters of credit totaling \$1.9 million and \$4.8 million were outstanding at December 31, 2017 and 2016, respectively, primarily to support certain office lease obligations.

In connection with certain business acquisitions, we may be required to pay post-closing consideration to the sellers if specific financial performance targets are met over a number of years as specified in the related purchase agreements. As of December 31, 2017 and 2016, the total estimated fair value of our contingent consideration liabilities was \$22.8 million and \$8.8 million, respectively.

To the extent permitted by law, our bylaws and articles of incorporation require that we indemnify our officers and directors against judgments, fines and amounts paid in settlement, including attorneys' fees, incurred in connection with civil or criminal action or proceedings, as it relates to their services to us if such person acted in good faith. Although there is no limit on the amount of indemnification, we may have recourse against our insurance carrier for certain payments made.

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18. Segment Information

Segments are defined as components of a company that engage in business activities from which they may earn revenues and incur expenses, and for which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker, who is our chief executive officer, manages the business under three operating segments, which are our reportable segments: Healthcare, Education, and Business Advisory.

During the second quarter of 2017, we reorganized our internal financial reporting structure, which management uses to assess performance and allocate resources, by moving our Life Sciences practice from the Education and Life Sciences segment to the Business Advisory segment. The remaining Education and Life Sciences segment is now referred to as the Education segment. While our consolidated results have not been impacted, we have reclassified our historical segment information for consistent presentation.

- **Healthcare**

Our Healthcare segment has a depth of expertise in strategy and innovation, care transformation, financial and operational excellence, technology and analytics, and leadership development. We serve national and regional hospitals and integrated health systems, academic medical centers, community hospitals, and medical groups. Our solutions help clients evolve and adapt to the rapidly changing healthcare environment and achieve growth, optimize performance, enhance profitability, improve quality and clinical outcomes, and drive physician, patient, and employee engagement across the enterprise.

We help organizations transform and innovate the delivery model to focus on patient wellness by improving quality outcomes, minimizing care variation and fundamentally improving patient and population health. Our consultants partner with clients to help build and sustain today's business to invest in the future by reducing complexity, improving operational efficiency and growing market share. We enable the healthcare of the future by identifying, integrating and optimizing technology investments to collect data that transforms care delivery and improves patient outcomes. We also develop future leaders capable of driving meaningful operational and organizational change and who transform the patient experience.

- **Education**

Our Education segment provides management consulting and technology solutions to higher education institutions and academic medical centers. We partner with clients to address challenges relating to business and technology strategy, financial management, operational and organizational effectiveness, research administration, and regulatory compliance. Our institutional strategy, market research, budgeting and financial management, business operations and student lifecycle management solutions align missions with business priorities, improve quality and reduce costs institution-wide. Our technology strategy, enterprise applications, and analytic solutions transform and optimize operations, deliver time and cost savings, and enhance the student experience. Our research enterprise solutions assist clients in identifying and implementing institutional research strategy, optimizing clinical research operations, improving financial management and cost reimbursement, improving service to faculty, and mitigating risk compliance.

- **Business Advisory**

Our Business Advisory segment provides services to large and middle market, not-for-profit 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 as well as creditors, equity owners, and other key constituents. Our Business Advisory professionals resolve complex business issues and enhance client enterprise value through a suite of services including capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory. Our Enterprise Solutions and Analytics professionals deliver technology and analytic solutions that enable organizations to manage and optimize their financial performance, operational efficiency, and client or stakeholder experience. Our Strategy and Innovation professionals collaborate with clients across a range of industries to identify new growth opportunities, build new ventures and capabilities, and accelerate organizational change. Our Life Sciences professionals provide strategic solutions to help pharmaceutical, medical device, and biotechnology companies deliver more value to patients, payers, and providers, and comply with regulations.

Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue and selling, general and administrative expenses that are incurred directly by the segment. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment. These administrative function costs

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

include costs for corporate office support, 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.

The tables below set forth information about our operating segments for the years ended December 31, 2017, 2016, and 2015, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements. We do not present financial information by geographic area because our international operations are immaterial.

	Year Ended December 31,		
	2017	2016	2015
Healthcare:			
Revenues	\$ 356,909	\$ 424,912	\$ 446,887
Operating income	\$ 118,761	\$ 147,903	\$ 169,560
Segment operating income as a percentage of segment revenues	33.3%	34.8%	37.9%
Education:			
Revenues	\$ 167,908	\$ 149,817	\$ 134,009
Operating income	\$ 40,318	\$ 38,310	\$ 32,246
Segment operating income as a percentage of segment revenues	24.0%	25.6%	24.1%
Business Advisory:			
Revenues	\$ 207,753	\$ 151,543	\$ 116,892
Operating income	\$ 46,600	\$ 29,382	\$ 31,233
Segment operating income as a percentage of segment revenues	22.4%	19.4%	26.7%
All Other: ⁽¹⁾			
Revenues	\$ —	\$ —	\$ 1,222
Operating loss	\$ —	\$ —	\$ (1,718)
Segment operating loss as a percentage of segment revenues	N/A	N/A	N/M
Total Company:			
Revenues	\$ 732,570	\$ 726,272	\$ 699,010
Reimbursable expenses	75,175	71,712	70,013
Total revenues and reimbursable expenses	<u>\$ 807,745</u>	<u>\$ 797,984</u>	<u>\$ 769,023</u>
Segment operating income	\$ 205,679	\$ 215,595	\$ 231,321
Items not allocated at the segment level:			
Other operating expenses	120,718	111,852	112,164
Litigation and other losses (gains), net	1,111	(1,990)	(9,476)
Depreciation and amortization	38,213	31,499	25,135
Goodwill impairment charges ⁽²⁾	253,093	—	—
Other expense, net	15,048	15,077	19,933
Income (loss) from continuing operations before taxes	<u>\$ (222,504)</u>	<u>\$ 59,157</u>	<u>\$ 83,565</u>

(1) During 2015, we wound down the businesses within our All Other operating segment, which consisted of our public sector consulting practice and our foreign consulting operations based in the Middle East. We did not generate any revenues from our All Other segment during 2016 and 2017.

(2) The goodwill impairment charges are not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance.

N/M – Not Meaningful

N/A – Not Applicable

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

Segment Assets:	As of December 31,		
	2017	2016	2015
Healthcare	\$ 70,097	\$ 69,274	\$ 84,088
Education	31,367	33,094	28,192
Business Advisory	58,217	43,151	29,609
Unallocated assets ⁽¹⁾	877,247	1,007,696	1,017,654
Total assets	<u>\$ 1,036,928</u>	<u>\$ 1,153,215</u>	<u>\$ 1,159,543</u>

- (1) Unallocated assets includes goodwill and intangible assets and our convertible debt investment, as management does not evaluate these items at the segment level when assessing segment performance or allocating resources. Refer to Note 5 "Goodwill and Intangible Assets" and Note 12 "Fair Value of Financial Instruments" for further information on these assets.

For the years ended December 31, 2017, 2016, and 2015, substantially all of our revenues and long-lived assets were attributed to or located in the United States.

At December 31, 2017 and 2016, no single client accounted for greater than 10% of our combined receivables and unbilled services balances. During the years ended December 31, 2017, 2016, and 2015, no single client generated greater than 10% of our consolidated revenues.

19. Valuation and Qualifying Accounts

The table below sets forth the changes in the carrying amount of our allowances for doubtful accounts and unbilled services and valuation allowance for deferred tax assets for the years ended December 31, 2017, 2016, and 2015.

	Beginning balance	Additions ⁽¹⁾	Deductions	Ending balance
Year ended December 31, 2015:				
Allowances for doubtful accounts and unbilled services	\$ 14,129	40,003	37,246	\$ 16,886
Valuation allowance for deferred tax assets	\$ 2,431	1,212	1,401	\$ 2,242
Year ended December 31, 2016:				
Allowances for doubtful accounts and unbilled services	\$ 16,886	48,901	44,528	\$ 21,259
Valuation allowance for deferred tax assets	\$ 2,242	113	1,729	\$ 626
Year ended December 31, 2017:				
Allowances for doubtful accounts and unbilled services	\$ 21,259	43,888	40,648	\$ 24,499
Valuation allowance for deferred tax assets	\$ 626	793	172	\$ 1,247

- (1) Additions to allowances for doubtful accounts and unbilled services are charged to revenues to the extent the provision relates to fee adjustments and other discretionary pricing adjustments. To the extent the provision relates to a client's inability to make required payments on accounts receivables, the provision is charged to operating expenses. Additions also include allowances acquired in business acquisitions, which were not material in any period presented.

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

20. Selected Quarterly Financial Data (Unaudited)

2017	Quarter Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
Revenues	\$ 188,849	\$ 181,418	\$ 176,376	\$ 185,927
Reimbursable expenses	16,950	20,930	17,982	19,313
Total revenues and reimbursable expenses	205,799	202,348	194,358	205,240
Gross profit	70,203	64,981	59,847	71,540
Operating income (loss)	14,149	(200,575)	6,098	(27,128)
Net income (loss) from continuing operations	5,155	(150,482)	4,132	(29,310)
Income (loss) from discontinued operations, net of tax	143	309	238	(302)
Net income (loss)	5,298	(150,173)	4,370	(29,612)
Net earnings (loss) per basic share:				
Net income (loss) from continuing operations	\$ 0.24	\$ (7.00)	\$ 0.19	\$ (1.36)
Income (loss) from discontinued operations, net of tax	0.01	0.01	0.01	(0.02)
Net income (loss)	\$ 0.25	\$ (6.99)	\$ 0.20	\$ (1.38)
Net earnings (loss) per diluted share:				
Net income (loss) from continuing operations	\$ 0.24	\$ (7.00)	\$ 0.19	\$ (1.36)
Income (loss) from discontinued operations, net of tax	0.01	0.01	0.01	(0.02)
Net income (loss)	\$ 0.25	\$ (6.99)	\$ 0.20	\$ (1.38)
Weighted average shares used in calculating earnings per share:				
Basic	21,239	21,492	21,505	21,515
Diluted	21,474	21,492	21,622	21,515

2016	Quarter Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
Revenues	\$ 180,489	\$ 184,259	\$ 183,400	\$ 178,124
Reimbursable expenses	16,561	18,982	19,093	17,076
Total revenues and reimbursable expenses	197,050	203,241	202,493	195,200
Gross profit	65,180	77,138	71,131	60,090
Operating income	14,376	28,209	23,240	8,409
Net income from continuing operations	6,866	16,139	12,288	4,187
Income (loss) from discontinued operations, net of tax	(864)	(970)	4	(33)
Net income	6,002	15,169	12,292	4,154
Net earnings per basic share:				
Net income from continuing operations	\$ 0.33	\$ 0.77	\$ 0.58	\$ 0.20
Income (loss) from discontinued operations, net of tax	(0.05)	(0.05)	—	—
Net income	\$ 0.28	\$ 0.72	\$ 0.58	\$ 0.20
Net earnings per diluted share:				
Net income from continuing operations	\$ 0.32	\$ 0.76	\$ 0.57	\$ 0.19
Income (loss) from discontinued operations, net of tax	(0.04)	(0.05)	—	—
Net income	\$ 0.28	\$ 0.71	\$ 0.57	\$ 0.19
Weighted average shares used in calculating earnings per share:				
Basic	21,114	21,061	21,076	21,083
Diluted	21,460	21,376	21,445	21,473

LIST OF SUBSIDIARIES OF HURON CONSULTING GROUP INC.
(as of December 31, 2017)

Name	Jurisdiction of Organization
Huron Consulting Group Holdings LLC	Delaware
Huron Consulting Services LLC	Delaware
Huron Consulting South East Asia PTE. LTD.	Singapore
Huron Solutions FZ-LLC	United Arab Emirates—Dubai
Huron Consulting Saudi Limited	Saudi Arabia
Huron Saudi Limited	Saudi Arabia
Huron Management Services LLC	Delaware
Huron Demand LLC	Delaware
Conseillers Huron Canada Limitée	Canada
Huron Technologies Inc.	Delaware
Huron Transaction Advisory LLC	Delaware
Studer Holdings, Inc.	Delaware
The Studer Group, LLC	Florida
Huron Eurasia India Private Limited	India
Pope Woodhead and Associates	England and Wales
Innosight Holdings, LLC	Delaware
Innosight International, LLC	Delaware
Innosight Consulting Asia Pacific PTE. LTD.	Singapore
Innosight Consulting SARL	Switzerland
Innosight Consulting, LLC	Delaware
Huron Aviation One LLC	Delaware
Huron Aviation Two LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-119697, 333-137107, 333-166542, 333-181445, 333-196397, 333-204353, and 333-218108) of Huron Consulting Group Inc. of our report dated February 28, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chicago, IL

February 28, 2018

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER,
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James H. Roth, certify that:

1. I have reviewed this Annual Report on Form 10-K of Huron Consulting Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2018

By: /S/ JAMES H. ROTH
James H. Roth
President and Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER,
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John D. Kelly, certify that:

1. I have reviewed this Annual Report on Form 10-K of Huron Consulting Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2018

By: /s/ JOHN D. KELLY

John D. Kelly
Executive Vice President,
Chief Financial Officer and Treasurer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER,
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Huron Consulting Group Inc. (the "Company") on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James H. Roth, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: February 28, 2018

By: /s/ JAMES H. ROTH

James H. Roth
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER,
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Huron Consulting Group Inc. (the "Company") on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John D. Kelly, Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: February 28, 2018

By: /s/ JOHN D. KELLY

John D. Kelly
Executive Vice President,
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

Company Information

Corporate Office

Huron Consulting Group Inc.
550 W. Van Buren Street
Chicago, IL 60607
312-583-8700
www.huronconsultinggroup.com

Media Contact

Sarah K. McHugh
Director, External Communications
312-880-2624
smchugh@huronconsultinggroup.com

Investor Relations

John D. Kelly
Executive Vice President,
Chief Financial Officer
and Treasurer
312-583-8722
investor@huronconsultinggroup.com

Corporate Secretary

Diane E. Ratekin
Executive Vice President,
General Counsel and
Corporate Secretary
312-880-3131
corporatesecretary@
huronconsultinggroup.com

Transfer Agent

Computershare
P.O. BOX 505000
Louisville, KY 40233-5000
312-588-4990
www.computershare.com/investor

Stock Market Information

Common Stock is traded on
the NASDAQ Global Select Market
under the symbol HURN

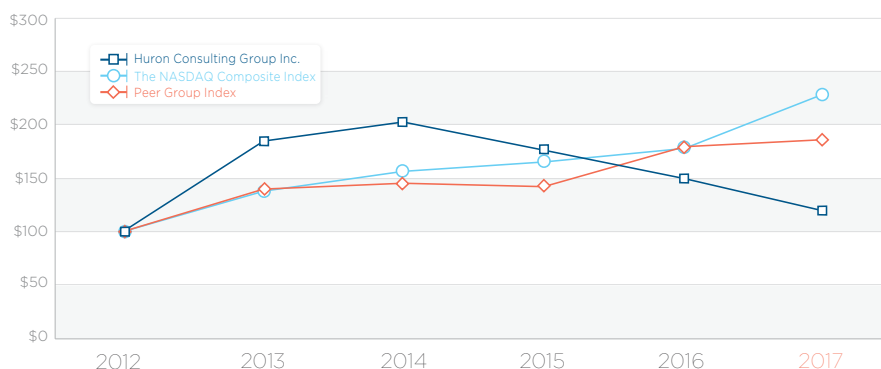
Independent Accountants

PricewaterhouseCoopers LLP
One North Wacker Drive
Chicago, IL 60606

Annual Meeting of Stockholders

11:00 a.m. CDT, Friday, May 4, 2018
Huron Consulting Group Inc.
550 W. Van Buren Street, Suite 1700
Chicago, IL 60607

Stock Performance



Value of Investment

	2012	2013	2014	2015	2016	2017	% Return
Huron Consulting Group Inc.	\$100.00	\$186.02	\$203.00	\$176.31	\$150.34	\$120.07	20%
The NASDAQ Composite Index	\$100.00	\$138.32	\$156.85	\$165.84	\$178.28	\$228.63	129%
Peer Group Index	\$100.00	\$140.94	\$145.29	\$142.87	\$180.20	\$186.31	86%

The above graph and table compare the cumulative total shareholder return on our common stock from December 31, 2012 through December 31, 2017, against the cumulative total shareholder return of the NASDAQ Composite Index and the stocks making up an industry peer group. The peer group is comprised of the following companies: CRA International, Inc., FTI Consulting, Inc., ICF International, Inc., Korn/Ferry International, Navigant Consulting, Inc., and Resources Connection, Inc. The graph and table assume a \$100 investment in Huron Consulting Group Inc. common stock, The NASDAQ Composite Index, and an index of our peer group on December 31, 2012, and any dividends are assumed to be reinvested.


Form 10-K

Huron Consulting Group Inc. will provide to any investor, without charge, a copy of its annual report (which includes the Company's Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission). Copies of all the exhibits as filed with the Securities and Exchange Commission will also be provided without charge upon specific request. Requests can be made via the Company's website at www.huronconsultinggroup.com.

Forward-Looking Statements

Statements in this Annual Report 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," "believes," "estimates," "plans," "continues," or "outlook" or similar expressions. These forward-looking statements reflect our current expectations about our future requirements and needs, results, levels of activity, performance, or achievements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: failure to achieve expected utilization rates, billing rates, and the number of revenue-generating professionals; inability to expand or adjust our service offerings in response to market demands; our dependence on renewal of client-based services; dependence on new business and retention of current clients and qualified personnel; failure to maintain third-party provider relationships and strategic alliances; inability to license technology to and from third parties; the impairment of goodwill; various factors related to income and other taxes; difficulties in successfully integrating the businesses we acquire and achieving expected benefits from such acquisitions; risks relating to privacy, information security, and related laws and standards; and a general downturn in market conditions. These forward-looking statements involve known and unknown risks, uncertainties and other factors, including, among others, those described under Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, 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.

 [LinkedIn.com/company/HuronConsulting](https://www.linkedin.com/company/HuronConsulting)

 [Facebook.com/HuronConsulting](https://www.facebook.com/HuronConsulting)

 [Twitter.com/Huron](https://twitter.com/Huron)

1-866-229-8700
[huronconsultinggroup.com](https://www.huronconsultinggroup.com)

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