

In re Huron Consulting Group, Inc. Securities Litigation

COURT: United States District Court for the Northern District of Illinois
CASE NUMBER: 09-CV-4734
CLASS PERIOD: 04/27/2006 - 07/31/2006
CASE LEADERS: Gerald H. Silk, Jeroen van Kwawegen

This is a securities fraud class action filed on behalf of a class of persons and entities who purchased or acquired the common stock of Huron Consulting Group, Inc. between April 27, 2006, and July 31, 2009 (the "Class Period").

Huron Consulting Group, Inc. ("Huron") was founded in 2002 by former Arthur Andersen partners and provides accounting, finance and corporate transaction consulting services. From 2005 through 2007, Huron grew in large part by acquiring other consulting firms in large, multimillion dollar transactions. This action arises from a scheme to inflate Huron's reported profits by deliberately accounting for certain acquisition-related payments as goodwill instead of compensation expenses. Huron and its senior management used the inflated profits to tout Huron's results to investors and analysts during the Class Period. As a result, Huron's reported income often exceeded analysts' expectations and analysts frequently noted how Huron's margins were superior to its competitors, reflecting the company's profitability.

After the market closed on July 31, 2009, Huron admitted that its impressive reported results were the result of improper accounting and that it was required to restate its financial statements from 2006 through the first quarter of 2009. The company ultimately admitted that Huron made multimillion dollar payments to Huron employees – including to selling shareholders of acquired companies who, with knowledge of senior management, "reallocated" such payments to Huron employees – in connection with at least four different transactions. Under plain and longstanding accounting rules, these payments were expenses that reduced Huron's profits, and Huron was required to record them as such. On July 31, 2009, Huron disclosed that it had failed to do so and that it was therefore required to restate its reported financial statements for thirteen consecutive quarters to reduce net profit by a total of \$57 million. Huron further disclosed that, following an investigation by Huron's Audit Committee, Huron's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer would immediately resign their positions without severance. Those officers are accounting experts who knew about, or at a minimum recklessly disregarded, the ongoing accounting fraud, and they were forced to resign for cause. Following these disclosures, Huron's stock dropped 70% in a single day -- from \$44.35 to \$13.69 per share.

On November 16, 2009, the Honorable Elaine E. Bucklo appointed the Public School Teachers' Pension & Retirement Fund of Chicago as Co-Lead Plaintiff and BLB&G as Co-Lead Counsel. On January 29, 2010, Co-Lead Plaintiffs filed a consolidated complaint asserting claims under the 1934 Securities Exchange Act and Rule 10b-5 promulgated thereunder against Huron and Huron's former Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer to hold them accountable for this fraud.

On January 20, 2011, the Court gave preliminary approval to a proposed settlement reached by Lead Plaintiffs on behalf of the Class for a total of \$27 million in cash plus 474,547 shares of Huron common stock that were valued at approximately \$11 million as of November 24, 2010. On May 6, 2011, the Honorable Elaine E. Bucklo held a settlement Hearing to determine, among other things, whether the proposed Settlement should be approved by

the Court as fair, reasonable and adequate; whether the proposed plan of allocation for the settlement proceeds should be approved as fair and reasonable; and whether Lead Counsel's application for an award of attorneys' fees and reimbursement of litigation expenses should be granted. Following the hearing, Judge Bucklo approved the settlement in all respects (a copy of Judge Bucklo's Order and Final Judgment can be found [here](#)).

The claims administration process has concluded and the net settlement fund has been fully disbursed. This matter is closed.

Case Documents

- May 06, 2011 - Order and Final Judgement
- February 4, 2011 – Notice of (I) Pendency and Proposed Settlement of Class Action; (II) Settlement Fairness Hearing; and (III) Motion for Attorneys' Fees and Reimbursement of Litigation Expenses
- January 29, 2010 - Consolidated Class Action Complaint