

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-14958

In the Matter of

**Huron Consulting Group Inc.,
Gary L. Burge, CPA, and
Wayne E. Lipski, CPA,**

Respondents.

**PROPOSED PLAN OF
DISTRIBUTION**

I. OVERVIEW

The Division of Enforcement (“Division”) submits the following proposed plan of distribution (“Distribution Plan”) to the Securities and Exchange Commission (“Commission”) pursuant to Rule 1101 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Rules”), 17 C.F.R. § 201.1101. As described more specifically below, the Distribution Plan proposes that the disgorgement, prejudgment interest, and, if the Commission orders the establishment of a Fair Fund, the penalty, paid by Respondents be transferred pursuant to Rule 1102(a) of the Rules, 17 C.F.R. § 201.1102(a), to the court registry account established for a private class action, *Hughes v. Huron Consulting Group Inc., et al.*, No. 09-cv-4734 (N.D. Ill.) (“Class Action”), for distribution to injured investors in accordance with a plan of allocation approved by the judge in the Class Action.¹ The Division has concluded that distributing funds paid in the Commission’s administrative proceeding through the Class Action’s distribution process is fair and reasonable and an efficient way for the Commission to benefit investors injured as a result of the Respondents’ misconduct.

On July 19, 2012, the Commission instituted and simultaneously settled cease-and-desist proceedings against Huron Consulting Group Inc. (“Huron”), a provider of financial and operational consulting services, Gary L. Burge (“Burge”), Huron’s former Chief Financial Officer and Treasurer, and Wayne E. Lipski (“Lipski”), Huron’s former

¹ The Distribution Plan proposes that all funds be used for the benefit of injured investors. The use of all funds collected by the Commission is appropriate because according to the claims administrator in the Class Action, the Class Action claimants’ losses would exceed the combined value of the Class Action fund and the funds collected by the Commission.

Controller and Chief Accounting Officer (collectively, the “Respondents”), for violating various provisions of the federal securities laws (the “Order”).² The Commission’s Order directed, among other things, that the Respondents pay a total of \$1,294,436.52 in disgorgement, prejudgment interest and penalties. The Respondents have made the payments required under the Order (collectively, the “Huron Distribution Fund”). Prior to the Commission’s Order, the Class Action, alleging almost the same securities violations over the identical period of time, settled on January 18, 2011 for the sum of \$27 million in cash plus 474,547 shares of Huron common stock.³

The notice and comment procedures for the Distribution Plan are set forth in Paragraph 8 below. The Distribution Plan is subject to approval by the Commission.

II. FACTUAL AND PROCEDURAL BACKGROUND

A. Settlement Description

1. The Commission issued its Order on July 19, 2012, finding that the Respondents violated, or caused violations of, the reporting, books and records, and internal controls provisions of the Securities Exchange Act of 1934 (“Exchange Act”).⁴ The Commission found that contrary to Generally Accepted Accounting Principles (“GAAP”), Huron failed to properly record compensation expense for acquisition sales proceeds that were redistributed by the selling shareholders of four companies that Huron acquired, and that Burge and Lipski were a cause of that failure. As a result, Huron filed periodic reports with the Commission that materially overstated its pre-tax income for 2006 through 2008 and for the first quarter of 2009. The Commission also found that Huron failed to maintain effective internal controls to ensure the appropriate recording and reporting of those redistributions, and that Burge and Lipski were a cause of that failure.

2. The Order directed Huron to pay a \$1 million penalty, Burge to pay disgorgement of \$147,763.12, prejudgment interest of \$30,338.46, and a penalty of \$50,000, and Lipski to pay disgorgement of \$12,750, prejudgment interest of \$3,584.94, and a penalty of \$50,000. The Order required the Respondents to make their payments to the Commission. Huron made its payment on July 25, 2012, Burge made his payment on July 26, 2012, and Lipski made his payment on July 25, 2012. The money is currently held by the Commission at the U.S. Treasury.

² See *Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order and Remedial Sanctions*, Exchange Act Rel. No. 67472 (July 19, 2012).

³ As of the close of trading on Dec. 5, 2012, these shares were valued at \$15.9 million.

⁴ The Commission found that Huron violated Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder, that Burge and Lipski caused Huron’s violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder, and that Burge and Lipski violated Rule 13b2-1 under the Exchange Act.

B. The Class Action Settlement

3. In accordance with Rule 1102(a), 17 C.F.R. § 201.1102(a), the Division concludes that the allegations in the Class Action arise from the same or substantially similar facts as those contained in the Commission's Order. On January 29, 2010, the lead plaintiffs filed the Class Action alleging that Huron, Huron's former Chief Executive Officer, Gary E. Holdren ("Holdren"), Burge, and Lipski (collectively the "Defendants") issued materially false and misleading statements in violation of Sections 10(b) and 20(a) of the Exchange Act. The Complaint alleges that from April 27, 2006 through and including July 31, 2009, the Defendants failed to comply with GAAP in accounting for payments made in connection with certain of Huron's acquisitions, enabling Huron to report positive financial results. Although the Commission's Order did not involve Holdren, and its Order did not find violations of the same Exchange Act sections alleged in the complaint, the underlying misconduct the Commission found is the same or substantially similar to the misconduct alleged in the Class Action complaint, namely that Huron failed to recognize compensation expense resulting in Huron materially misstating its financial statements for 2006 through 2008 and for the first quarter of 2009, and that Burge and Lipski were a cause of that failure.

4. The class period in the Class Action is identical to the period covered by the misconduct described in the Commission's Order. The Class Action class period covers persons or entities that purchased or otherwise acquired Huron's common stock from April 27, 2006 through and including July 31, 2009.⁵ The period of the misconduct described in the Order is the same – from April 27, 2006, the date Huron filed its Form 10-Q for the first quarter of 2006, through July 31, 2009, the date Huron announced it intended to restate its financial statements to properly account for the redistributed acquisition sales proceeds.

5. The parties to the Class Action filed a "Stipulation of Settlement" on January 19, 2011. Huron agreed to pay \$27 million in cash and issue 474,547 shares of Huron common stock. As of April 1, 2011, copies of the 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 (the "Notice") were mailed to over 57,700 potential class members ("Potential Class Members").⁶ In addition, a summary Notice was published in Investor's Business Daily and transmitted

⁵ The distribution allocation in the Class Action proposed settlement excludes the following persons from the class: the Defendants; the officers and directors of Huron during the class period; and members of the immediate families and the legal representatives, heirs, successors or assigns of Holdren, Burge, Lipski, the excluded Huron officers and directors during the class period, any entity in which any of the Defendants has or had a controlling interest, and The Holdren Family Trust.

⁶ See Lead Plaintiffs' Memorandum of Points and Authorities in Support of Motion for Final Approval of Class Action Settlement and Plan of Allocation, Class Action D.E. 135, page 8. http://www.huronsecuritieslitigation.com/Lead_Plaintiffs'_Memorandum_of_Points_and_Authorities_in_Support_of_Motion_for_Final_Approval_of_Class_Action_Settlement_and_Plan_of_Allocation.pdf

over PR Newswire.⁷ The Notice presented a plan of allocation proposed by Lead Plaintiffs and developed by a damages expert who calculated the amount of estimated alleged artificial inflation in the per share closing prices of Huron common stock throughout the class period that purportedly was caused by the fraud (“Plan of Allocation”). The Notice informed Potential Class Members of their right to object or to request exclusion from the class by April 22, 2011. No Potential Class Members objected to any aspect of the Settlement or the Plan of Allocation.⁸ On April 6, 2011, the Lead Plaintiffs to the Class Action filed a motion for final approval of the Class Action settlement and Plan of Allocation, which the Court granted on May 6, 2011. Lead counsels of the Class Action are preparing to request a distribution and expect the initial disbursement to occur before the end of 2012.

III. JOINT DISTRIBUTION OF HURON FUNDS

6. Once the Commission approves a plan, Commission staff will take necessary steps to transfer the Huron Distribution Fund to the court registry account for the Class Action pursuant to agreed-upon procedures under which the Class Action Claims Administrator, The Garden City Group (“GCG”), will distribute the Huron Distribution Fund with the Class Action settlement in accordance with the following:

a. The Huron Distribution Fund will be allocated *pro-rata* to injured investors who are Authorized Claimants (as defined in the Class Action Notice) in accordance with the Plan of Allocation approved by the District Court in the Class Action. The Plan of Allocation is described in detail in paragraphs 30 through 45 in the Class Action Notice, attached as Appendix A.

b. GCG will include a *pro-rata* share of the Huron Distribution Fund in the distribution checks sent to each Authorized Claimant based on the Authorized Claimants’ *pro-rata* share of the Class Action fund, with a check stub notation stating that a portion of the distribution is from funds collected in connection with the Commission’s settlement with the Respondents and identifying the approximate amount of the distribution that is attributable to the Commission settlement.

c. GCG has agreed not to charge the Huron Distribution Fund or the Commission for any administrative expenses it incurs, including mailing, postage or any other expenses of implementing the distribution; however, if the Huron Distribution Fund cannot be distributed simultaneously with the payments from the Class Action Fund, then GCG may use a portion of the Huron Distribution Fund to reimburse itself for related administrative expenses.

⁷ *Id.*

⁸ *See* Reply Memorandum of Law in Further Support of (I) Lead Plaintiffs’ Motion for Final Approval of Class Action Settlement and Plan of Allocation and (II) Lead Counsel’s Motion for an Award of Attorneys’ Fees and Reimbursement of Litigation Expenses; Class Action D.E. 141, page 3. There were two Opt-Out requests, however, the judge in the Class Action concluded they were both invalid because they didn’t provide the required information to prove they were class members. Therefore there are no Opt-Outs in the Class Action. *Id.*

d. GCG will be responsible for all tax compliance and reporting obligations of the Huron Distribution Fund.

e. If the monies comprising the Huron Distribution Fund are transferred to the court registry account for the Class Action in time to be included in the initial disbursement, GCG will allocate them in the initial distribution. If the Huron Distribution Fund cannot be transferred in time, the monies will be allocated one year after the initial distribution with the anticipated second distribution of uncashed distributions or unclaimed Settlement Shares.⁹ See Appendix A, ¶ 44.

7. It is anticipated that all of the monies comprising the Huron Distribution Fund will be distributed to injured investors with the Class Action settlement. In the event that any portion of the Huron Distribution Fund is not distributed to injured investors, GCG will transfer any remaining funds, less taxes, and any other fees/expenses that may be deducted from the Huron Distribution Fund, to the Commission. The Commission staff will submit a final accounting subject to Commission approval. When the Commission has approved any such final accounting and the transfer of the remaining funds, the Commission staff shall arrange for the transfer of any amount remaining in the Huron Distribution Fund to the U.S. Treasury.

IV. NOTICE AND COMMENT PERIOD

8. Notice of the Distribution Plan shall be published in the SEC Docket and on the Commission's website, <http://www.sec.gov>. Pursuant to this Notice, all interested parties are advised that they may obtain a copy of the Distribution Plan from the Commission's public website, <http://www.sec.gov>, or by submitting a written request to Nancy Chase Burton, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5631. Further, all persons desiring to comment of the Distribution Plan may submit their comments, in writing, within 30 days of the date of this Notice:

1. To the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. By using the Commission's Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. By sending an e-mail to rule-comments@sec.gov.

⁹ The distribution payments are subject to a \$10 *de minimis* loss amount. GCG estimates that approximately 4,200 claimants will receive payments in the initial distribution and that there will be an approximately 95% cash rate. Only a subset of the 4,200 claimants who both cashed their checks and received at least \$10 will be included in the anticipated second distribution.

Comments submitted by e-mail or via the Commission's website should include "Administrative Proceeding File Number 3-14958" in the subject line. Comments received will be available to the public. Persons should only submit information that they wish to make publicly available.