

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000 or

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

For the transition period from            to

Commission File Number 0-25837

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

-----  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
-----

36-2681268  
-----

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer  
Identification Number)

233 South Wacker Drive-Suite 4200  
Chicago, Illinois  
60606-6303  
-----

(Address of Principal Executive Offices)

(312) 496-1200  
-----

(Registrant's Telephone Number, Including Area Code)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares outstanding of the Company's common stock as of August 3, 2000 was 19,275,728 (excluding 382,732 of restricted stock units).

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## HEIDRICK &amp; STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(in thousands, except share and per share data)

	June 30, 2000 ----- (unaudited)	December 31, 1999 -----
Current assets:		
Cash and cash equivalents	\$144,214	\$ 76,848
Accounts receivable, net of allowance for doubtful accounts	125,987	83,162
Other receivables	6,813	4,241
Prepaid expenses	9,742	7,583
Deferred income taxes	21,107	19,881
Total current assets	----- 307,863 -----	----- 191,715 -----
Property and equipment, net	----- 55,708 -----	----- 52,352 -----
Other assets:		
Cash and investments designated for nonqualified retirement plans	32,076	32,702
Investments and other assets	26,731	11,772
Deferred income taxes	1,371	376
Goodwill and other intangibles, net	64,329	45,832
Total other assets	----- 124,507 -----	----- 90,682 -----
Total assets	----- \$488,078 =====	----- \$334,749 =====

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

## HEIDRICK &amp; STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share data)

	June 30, 2000 ----- (unaudited)	December 31, 1999 -----
Current liabilities:		
Current maturities of long-term debt	\$ --	\$ 3,039
Accounts payable	10,598	8,052
Accrued expenses-		
Salaries and employee benefits	141,008	100,762
Other	21,483	14,964
Income taxes payable	8,466	10,891
	-----	-----
Total current liabilities	181,555	137,708
	-----	-----
Liability for nonqualified retirement plans	28,399	29,161
	-----	-----
Other long-term liabilities	2,072	--
	-----	-----
Stockholders' equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, no shares issued at June 30, 2000 and December 31, 1999	--	--
Common stock, \$.01 par value, 100,000,000 shares authorized, of which 19,651,085 and 16,663,151 shares were issued and outstanding at June 30, 2000 and December 31, 1999, respectively	197	167
Treasury stock at cost, 9,243 shares at June 30, 2000	(376)	--
Additional paid-in capital	224,952	124,363
Retained earnings	50,958	37,445
Cumulative foreign currency translation adjustment	(2,143)	(591)
Unrealized gain on available-for-sale investments (net of tax)	5,623	6,496
Deferred compensation	(3,159)	--
	-----	-----
Total stockholders' equity	276,052	167,880
	-----	-----
Total liabilities and stockholders' equity	\$ 488,078	\$ 334,749
	=====	=====

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

## HEIDRICK &amp; STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Revenue	\$ 166,416	\$ 113,046	\$ 298,352	\$ 187,647
Operating expenses:				
Salaries and employee benefits	108,263	76,397	200,663	125,544
General and administrative expenses	44,933	27,845	80,743	48,435
Nonrecurring charge	--	--	--	12,420
Total operating expenses	153,196	104,242	281,406	186,399
Operating income	13,220	8,804	16,946	1,248
Non-operating income (expense):				
Interest income	1,833	426	3,350	596
Interest expense	(52)	(460)	(127)	(937)
Minority interest	157	--	157	--
Other, net	3,023	63	4,719	76
Net non-operating income (expense)	4,961	29	8,099	(265)
Equity in net loss of affiliate	--	--	--	(630)
Income before income taxes	18,181	8,833	25,045	353
Provision for income taxes	8,183	3,984	11,532	5,652
Net income (loss)	\$ 9,998	\$ 4,849	\$ 13,513	\$ (5,299)
Basic earnings (loss) per common share	\$ 0.52	\$ 0.33	\$ 0.72	\$ (0.50)
Basic weighted average common shares outstanding	19,211	14,884	18,643	10,636
Diluted earnings (loss) per common share	\$ 0.49	\$ 0.33	\$ 0.68	\$ (0.50)
Diluted weighted average common shares outstanding	20,497	14,913	19,906	10,636
Net income (loss)	\$ 9,998	\$ 4,849	\$ 13,513	\$ (5,299)
Other comprehensive income, before tax:				
Foreign currency translation adjustment	(909)	(551)	(2,783)	(541)
Unrealized gain (loss) on available-for-sale investments	(6,487)	1,188	(1,507)	6,360
Total other comprehensive income, before tax	(7,396)	637	(4,290)	5,819
Income tax expense (benefit) related to items of other comprehensive income	(3,237)	301	(1,865)	2,478
Other comprehensive income (loss), net of tax	(4,159)	336	(2,425)	3,341
Comprehensive income (loss)	\$ 5,839	\$ 5,185	\$ 11,088	\$ (1,958)

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

## HEIDRICK &amp; STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(in thousands)  
(unaudited)

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Deferred Comp- ensation	Total
	-----	-----	-----	-----	-----	-----	-----
Balance as of December 31, 1999	\$ 167	\$ --	\$ 124,363	\$ 37,445	\$ 5,905	\$ --	\$ 167,880
Treasury and common stock transactions:							
Stock issued for acquisitions	1	--	5,216	--	--	--	5,217
Stock issued in follow-on public offering	25	--	76,214	--	--	--	76,239
Issuances of restricted stock	4	--	16,201	--	--	(3,378)	12,827
Amortization of deferred compensation	--	--	--	--	--	186	186
Forfeitures of restricted stock	--	(376)	--	--	--	33	(343)
Exercise of options	--	--	247	--	--	--	247
Gain on sale of subsidiary stock	--	--	2,711	--	--	--	2,711
Net income	--	--	--	13,513	--	--	13,513
Unrealized loss on available-for-sale investments	--	--	--	--	(873)	--	(873)
Foreign currency translation adjustment	--	--	--	--	(1,552)	--	(1,552)
	-----	-----	-----	-----	-----	-----	-----
Balance as of June 30, 2000	\$ 197	\$ (376)	\$ 224,952	\$ 50,958	\$ 3,480	\$ (3,159)	\$ 276,052
	=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements

## HEIDRICK &amp; STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	Six Months Ended June 30,	
	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 13,513	\$ (5,299)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,191	4,397
Loss (gain) on sale of property and equipment	260	(12)
Gain on sale of securities	(4,604)	--
Deferred income taxes	(1,840)	(664)
Equity in net loss of affiliate	--	630
Minority interest in loss of consolidated subsidiary	(157)	--
Stock-based compensation	2,119	189
Nonrecurring compensation charge	--	12,420
Changes in assets and liabilities:		
Trade and other receivables	(45,477)	(23,424)
Accounts payable	2,651	3,664
Accrued expenses	55,111	34,279
Income taxes payable	(1,391)	628
Liability for nonqualified retirement plans	161	848
Other, net	(3,646)	891
	-----	-----
Net cash provided by operating activities	24,891	28,547
	-----	-----
Cash flows from investing activities:		
Acquisitions	(15,757)	--
Purchases of securities for nonqualified retirement plan	(210)	(232)
Purchases of property and equipment	(10,651)	(12,317)
Purchases of long-term investments	(10,447)	--
Proceeds from sale of securities, net	4,604	--
Cash acquired in merger transaction with HSI	--	8,166
Other, net	(1,372)	(176)
	-----	-----
Net cash used in investing activities	(33,833)	(4,559)
	-----	-----
Cash flows from financing activities:		
Proceeds from sale of common stock	76,239	61,708
Proceeds from sale of subsidiary stock	2,919	--
Proceeds from stock options exercised	247	--
Proceeds from debt	--	17,700
Payments on debt	(1,822)	(47,643)
	-----	-----
Net cash provided by financing activities	77,583	31,765
	-----	-----
Effect of foreign currency exchange rates on cash and cash equivalents	(1,275)	(719)
	-----	-----
Net increase in cash and cash equivalents	67,366	55,034
Cash and cash equivalents:		
Beginning of period	76,848	11,521
	-----	-----
End of period	\$ 144,214	\$ 66,555
	=====	=====

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
(All tables in thousands, except per share figures)  
(Unaudited)

1. Interim Financial Data

The accompanying unaudited consolidated financial statements of Heidrick & Struggles International, Inc. and Subsidiaries, (the "Company"), included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. In the opinion of management, the statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's financial position as of June 30, 2000, and December 31, 1999, the results of operations for the three months and six months ended June 30, 2000 and 1999, stockholders' equity for the six months ended June 30, 2000, and cash flows for the six months ended June 30, 2000 and 1999. Certain prior year amounts have been reclassified to conform with 2000 classifications. These financial statements and notes are to be read in conjunction with the Company's Consolidated Financial Statements and notes thereto included in the Company's Annual Report to Shareholders on Form 10-K (File No. 0-25837) for the year ended December 31, 1999, as filed with the Securities and Exchange Commission on March 24, 2000.

The consolidated financial statements of the Company for periods prior to September 30, 1999, have been restated to give retroactive effect to the merger with Sullivan & Company ("Sullivan") on September 1, 1999, which has been accounted for using the pooling of interests method and, as a result, the financial position, results of operations, stockholders' equity and cash flows are presented as if the combining companies had been consolidated for all periods presented and, as if the additional common stock issued in connection with the merger had been issued for all periods presented.

2. Business Combinations

Acquisitions Accounted for Using Purchase Method

On February 26, 1999, Heidrick & Struggles, Inc. ("H&S") merged (the "Merger") with and into Heidrick & Struggles International, Inc. (prior to the Merger, "HSI"). The Merger combined the operations of H&S, which operated in all regions of the world except Europe, with HSI, a Europe-based company.

The Company completed three acquisitions of executive search firms during the six months ended June 30, 2000. The total purchase price for these acquisitions was approximately \$19.9 million, which was paid in cash and shares of the Company's common stock. Operations of these businesses have been included in the consolidated financial statements from their acquisition dates.

Acquisition Accounted for Using Pooling of Interests Method

On September 1, 1999, the Company completed its merger with Sullivan, which provided for the exchange of all the outstanding stock of Sullivan for 964,000 shares of the Company's common stock. The transaction was accounted for using the pooling of interests method of accounting.



HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Revenue, net income (loss), and basic and diluted income (loss) per common share of the combining companies are as follows:

	Three Months Ended June 30, 1999 -----	Six Months Ended June 30, 1999 -----
Revenue		
The Company, as previously reported on Form 10-Q Sullivan	\$ 108,612 4,434 -----	\$ 180,331 7,316 -----
The Company, as restated	\$ 113,046 =====	\$ 187,647 =====
Net income (loss)		
The Company, as previously reported on Form 10-Q Sullivan	\$ 4,613 236 -----	\$ (5,499) 200 -----
The Company, as restated	\$ 4,849 =====	\$ (5,299) =====
Income (loss) per common share		
The Company, as previously reported on Form 10-Q		
Basic	\$ 0.33 =====	\$ (0.55) =====
Diluted	\$ 0.33 =====	\$ (0.55) =====
The Company, as restated		
Basic	\$ 0.33 =====	\$ (0.50) =====
Diluted	\$ 0.33 =====	\$ (0.50) =====

3. Nonrecurring Charge

During the first quarter of 1999, the Company incurred a nonrecurring charge of \$12.4 million. This charge was the result of the Company's agreement to modify the terms of the Mulder & Partner GmbH & Co. KG ("Mulder") acquisition agreement, including the termination of all employment contingencies. HSI acquired 100% of Mulder on October 1, 1997, for a combination of cash and 32,000 shares of HSI common stock. On October 1, 1997, HSI delivered 4,000 shares of HSI common stock, paid \$8.7 million to the partners of Mulder and incurred \$0.3 million of associated transaction costs. Under the original Mulder acquisition agreement an additional \$5.2 million (plus interest at an annual rate of 4%) was due to the partners of Mulder in five equal annual installments, the first of which was paid on October 1, 1998. The remaining shares were to be issued in four annual installments beginning January 1, 1999. Because the total purchase price was contingent upon the continued employment of the Mulder consultants, the cost of the acquisition was accounted for as compensation expense to be recognized over a five-year period beginning October 1, 1997. In connection with the Merger, the Mulder acquisition agreement was amended such that the remaining cash (plus interest) was paid within 90 days of the completion of the Merger and 428,452 shares (reflecting a split of 15.8217 for 1) of the Company's common stock (which were valued, based upon the estimated fair market value of HSI, at \$5.2 million) were issued to such Mulder partners immediately after the Merger. During the six months ended June 30, 1999, the Company paid the remaining \$4.3 million of cash due, issued 428,452 shares of the Company's common stock and wrote off \$2.9 million of deferred compensation assets resulting in a total compensation charge of \$12.4 million.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

4. Basic and Diluted Earnings Per Share

Basic earnings per common share is computed by dividing net income by weighted average common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted.

The following is a reconciliation of the shares used in the computation of basic and diluted earnings (loss) per common share ("EPS"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Basic EPS				
Income (loss) available to common stockholders	\$ 9,998	\$ 4,849	\$ 13,513	\$ (5,299)
Weighted average common shares outstanding	19,211	14,884	18,643	10,636
Basic EPS	\$ 0.52	\$ 0.33	\$ 0.72	\$ (0.50)
Diluted EPS				
Income (loss) available to common stockholders	\$ 9,998	\$ 4,849	\$ 13,513	\$ (5,299)
Weighted average common shares outstanding	19,211	14,884	18,643	10,636
Dilutive common shares	1,286	29	1,263	--
Weighted average diluted common shares outstanding	20,497	14,913	19,906	10,636
Diluted EPS	\$ 0.49	\$ 0.33	\$ 0.68	\$ (0.50)

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

5. Segment Information

Management views the operations of the Company through two lines of business: Executive Search and LeadersOnline. The Company breaks out revenue and operating income in its Executive Search business into two broad geographic segments: Americas and International. The Americas segment comprises the United States and Other (Canada and Latin America). The International segment comprises Europe (which includes Africa and the Middle East) and Asia Pacific.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Revenue:				
Americas				
United States	\$ 98,112	\$ 69,363	\$ 172,438	\$ 124,955
Other	6,113	4,117	11,013	7,281
International				
Europe	46,608	34,265	87,992	46,297
Asia Pacific	9,476	5,151	17,598	8,964
Total Executive Search	160,309	112,896	289,041	187,497
LeadersOnline	6,107	150	9,311	150
Total	\$ 166,416	\$ 113,046	\$ 298,352	\$ 187,647

Operating income (loss):				
Americas				
United States	\$ 17,503	\$ 11,441	\$ 28,275	\$ 19,214
Other	921	740	1,290	954
International				
Europe	5,249	1,234	8,684	(9,574)
Asia Pacific	1,682	905	2,991	892
Total Executive Search	25,355	14,320	41,240	11,486
LeadersOnline	(4,333)	(1,384)	(8,519)	(2,639)
Corporate	(7,802)	(4,132)	(15,775)	(7,599)
Total	\$ 13,220	\$ 8,804	\$ 16,946	\$ 1,248

	As of June 30, 2000	As of December 31, 1999
Identifiable Assets:		
Americas		
United States	\$153,826	\$107,698
Other	12,763	10,104
International		
Europe	117,683	102,398
Asia Pacific	19,372	11,958
Total Executive Search	303,644	232,158
LeadersOnline	7,391	4,150
Corporate	177,043	98,441
Total	\$488,078	\$334,749

6. Public Offerings

On April 26, 1999, the Securities and Exchange Commission declared effective the Company's Registration Statement on Form S-1 (File No. 333-59931) relating to the initial public offering of 4.2 million shares of the Company's common stock and on April 27, 1999, the Company's common stock began trading on the Nasdaq National Market under the symbol "HSII".

On April 30, 1999, the Company completed the initial public offering of an aggregate of 4.2 million shares of common stock at \$14.00 per share, of which 3.7 million shares were offered by the Company and 500,000 shares were offered by selling stockholders. In addition, on June 1, 1999, the Company completed the offering of an additional 505,000 shares of common stock which arose from the exercise of a portion of the over-allotment option granted to certain underwriters of the initial public offering. These offerings resulted in net proceeds (after deducting the underwriting discount and estimated offering expenses) of \$51.8 million to the Company and \$6.5 million to the selling stockholders.

On February 9, 2000, the Company completed a follow-on public offering under a Registration Statement on Form S-1 effective February 3, 2000 (File No. 333-94017) of an aggregate of 3,450,000 shares of common stock at \$33.00 per share, which included 450,000 shares from the exercise of the over-allotment option granted to certain underwriters of the offering. The Company offered 2,458,306 shares and the selling stockholders offered 991,694 shares. This offering resulted in net proceeds (after deducting the underwriting discount and offering expenses) of \$76.2 million to the Company and \$31.0 million to the selling stockholders. The Company has used and will continue to use the net proceeds from this offering for general corporate purposes including the funding of further development of LeadersOnline and other growth initiatives, hiring of additional executive search consultants, expanding its technology infrastructure and funding possible future acquisitions.

On April 10, 2000, our subsidiary, LeadersOnline, Inc., filed a registration statement with the Securities and Exchange Commission relating to a proposed initial public offering of its Class A common stock.

7. Derivative Financial Instrument

The Company receives warrants for equity in its client companies, in addition to its cash fee, for services rendered on some searches. When the warrants are received, revenue is recorded equal to the estimated fair market value of the instrument received. Thereafter, the securities are accounted for as available-for-sale investments. The Company has entered into a collar agreement to hedge the impact of market value changes of one of these equity securities. Collars consist of the sale of call options along with a corresponding purchase of put options, with the effect of establishing the highest and lowest prices at which the securities will be sold during a certain time period. The collar has been designated and is effective as a hedge of the equity security. Unrealized gains and losses on both the equity security and the collar are recorded in equity and comprehensive income. When realized, gains and losses on the equity security and the collar are recorded in income. Beginning in the fourth quarter of 1999, the Company has the right to put and the counterparty has the right to call a portion of the shares on a quarterly basis in accordance with an established schedule. The unrealized pre-tax gain on these hedged shares at June 30, 2000 was \$1.1 million. The Company's realized gain on these shares for the six months ended June 30, 2000 was \$1.7 million.

The Company is exposed to credit loss in the event of nonperformance by the other party. However, the Company does not anticipate nonperformance by the counterparty.

8. Investments

On June 29, 2000, the Company announced that it had formed a strategic alliance with Silicon Valley Internet Capital ("SVIC"), a newly formed, San Francisco-based company that will create and provide operating support for Internet infrastructure companies. The Company will be the preferred global executive search firm for SVIC's companies. The Company invested \$10 million in SVIC's first round of financing during the six months ended June 30, 2000 and will account for this investment using the cost method.

## 9. Compensation Charge

During the six months ended June 30, 2000, LeadersOnline, Inc., ("Leaders") a subsidiary of the Company, issued 4.5 million stock options to certain of its employees and those of the Company at a price below the deemed fair market value, for accounting purposes, at the time of issuance. The resulting non-cash compensation charge in the amount of \$16.8 million will be amortized over the vesting period of the options, which is approximately four years. The amortization expense for the six months ended June 30, 2000, is \$2.0 million and is included in salaries and employee benefits on the Consolidated Statements of Income and Comprehensive Income.

## 10. Sale of Subsidiary Stock

During the three months ended June 30, 2000, Leaders sold a total of 609,000 shares of its common stock to VerticalNet, Inc. and to certain employees of the Company. The common stock was sold for \$5 per share and resulted in net cash proceeds, after expenses, of \$2.9 million to Leaders. The Company's ownership interest in Leaders was diluted from 100% to 96.4% as a result of these transactions. The resulting gain to the Company of \$2.7 million has been recorded in stockholders' equity.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### General

We are the world's largest and premier executive search firm. We provide executive search services through our global network of offices to a broad range of organizations, including Fortune 500 companies, financial institutions, major health care organizations, universities and not-for-profit organizations, leading mid-cap companies and emerging growth companies. Through our majority-owned Internet-based search subsidiary, LeadersOnline, we target the recruitment market for mid-level executives and professionals.

Prior to 1984, we operated under a single ownership structure. In 1984, Heidrick & Struggles, Inc. (H&S) spun off Heidrick & Struggles International, Inc. ("HSI") to its European partners while retaining a significant equity interest in it. Between 1984 and February 26, 1999, HSI operated primarily in Europe, while H&S operated in all other regions of the world. On February 26, 1999, H&S merged with HSI ("the Merger") to reunite the two companies into a single corporate structure.

We completed several other acquisitions and mergers in the past two years. On May 1, 2000, we acquired Lynch Miller Moore O'Hara, Inc., a Chicago-based executive search firm that specializes in the venture capital and high tech markets. On April 1, 2000, we acquired TAO International Group, a senior level executive search firm with offices in Asia. On March 1, 2000, we acquired Argonaut Search Group, LLC, a San Francisco-based executive search firm that specializes in the real estate and financial services industries. In December 1999, we completed the acquisition of Redelinghuys & Partners, a senior level executive search firm in the Republic of South Africa. In June 1998, we acquired Fenwick Partners, Inc., a Boston-based executive search firm focused on the technology sector. These acquisitions were accounted for using the purchase method of accounting, with the results of the acquired companies included in the Consolidated Statements of Income and Comprehensive Income beginning on the date of each acquisition. In September 1999, we merged with Sullivan & Company ("Sullivan"), an executive search firm that specializes in the financial services industry. This transaction was accounted for using pooling of interests accounting, with the results of Sullivan being included in the Consolidated Statements of Income and Comprehensive Income for all periods presented.

With offices in more than 70 locations in 33 countries throughout North and South America, Europe, the Middle East, Africa and Asia Pacific, we conduct business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings. However, because certain assets or liabilities are denominated in non-U.S. currencies, changes in currency rates may cause fluctuations in the valuation of such assets or liabilities.

#### Results of Operations

The following table summarizes the results of our operations as a percentage of revenue for the three months and six months ended June 30, 2000 and 1999:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Salaries and employee benefits	65.1	67.6	67.3	66.9
General and administrative expenses	27.0	24.6	27.1	25.8
Nonrecurring charge	--	--	--	6.6
Total operating expenses	92.1	92.2	94.4	99.3
Operating income	7.9	7.8	5.6	0.7
Non-operating income (expense):				
Interest income	1.1	0.4	1.1	0.3
Interest expense	--	(0.4)	--	(0.5)
Minority interest	0.1	--	0.1	--
Other, net	1.8	0.1	1.6	--
Net non-operating income (expense)	3.0	0.1	2.8	(0.2)
Equity in net loss of affiliate	--	--	--	(0.3)
Income before income taxes	10.9	7.9	8.4	0.2
Provision for income taxes	4.9	3.5	3.9	3.0
Net income (loss)	6.0 %	4.4 %	4.5 %	(2.8)%

The following table sets forth, for the periods indicated, our revenue and operating income (loss) by segment. Management views our operations through two lines of business: Executive Search and LeadersOnline. We break out revenue and operating income in our core Executive Search business into two broad geographic segments: Americas and International. The Americas segment comprises the United States and Other (Canada and Latin America). The International segment comprises Europe (which includes Africa and the Middle East) and Asia Pacific.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Revenue:				
Americas				
United States	\$ 98,112	\$ 69,363	\$ 172,438	\$ 124,955
Other	6,113	4,117	11,013	7,281
International				
Europe	46,608	34,265	87,992	46,297
Asia Pacific	9,476	5,151	17,598	8,964
Total Executive Search	160,309	112,896	289,041	187,497
LeadersOnline	6,107	150	9,311	150
<b>Total</b>	<b>\$ 166,416</b>	<b>\$ 113,046</b>	<b>\$ 298,352</b>	<b>\$ 187,647</b>
Operating income (loss):				
Americas				
United States	\$ 17,503	\$ 11,441	\$ 28,275	\$ 19,214
Other	921	740	1,290	954
International				
Europe	5,249	1,234	8,684	(9,574)
Asia Pacific	1,682	905	2,991	892
Total Executive Search	25,355	14,320	41,240	11,486
LeadersOnline	(4,333)	(1,384)	(8,519)	(2,639)
Corporate	(7,802)	(4,132)	(15,775)	(7,599)
<b>Total</b>	<b>\$ 13,220</b>	<b>\$ 8,804</b>	<b>\$ 16,946</b>	<b>\$ 1,248</b>

Three Months Ended June 30, 2000 Compared to the Three Months Ended June 30, 1999

Revenue. Our revenue increased \$53.4 million, or 47.2%, to \$166.4 million for the three months ended June 30, 2000 from \$113.0 million for the second quarter 1999. This increase was due to continued strong demand for our executive search services across a number of industries and disciplines, especially financial services, technology and health care, and an increase in the number of consultants, as the number of confirmed searches increased 23%. In addition, fees per search were higher as our strategic focus on working at the top level of executive search continued to drive performance.

We experienced significant revenue growth in all of our geographic segments during the 2000 second quarter. In the United States, our revenue increased \$28.7 million, or 41.4%, to \$98.1 million in the second quarter 2000 from \$69.4 million in the second quarter 1999, with particular strength in the financial services and technology practice groups. In the Americas-Other segment, revenue rose 48.5% to \$6.1 million in the second quarter 2000 from \$4.1 million in the 1999 comparable period primarily due to the growth of our technology practice in Latin America. In Europe, our revenue increased \$12.3 million, or 36.0%, to \$46.6 million from \$34.3 million in last year's second quarter, due to strength in the financial services, consumer and health care practice groups. Excluding the negative effect of foreign currency translations into U.S. dollars, revenue grew 51% in Europe. In Asia Pacific, revenue increased 84.0% to \$9.5 million from \$5.2 million in the second quarter 1999. The financial services and technology practice groups drove the growth in Asia Pacific. LeadersOnline generated \$6.1 million of revenue in

the second quarter of 2000 compared to \$150,000 of revenue in the second quarter 1999 when the newly launched subsidiary generated revenue for the first time.

Salaries and employee benefits. Our salaries and employee benefits increased \$31.9 million, or 41.7%, to \$108.3 million for the second quarter 2000 from \$76.4 million in the second quarter 1999. As a percentage of revenue, salaries and employee benefits decreased to 65.1% in the second quarter 2000 from 67.6% in the second quarter 1999, as higher revenue enabled us to leverage the fixed cost portion of our workforce.

General and administrative expenses. Our general and administrative expenses increased \$17.1 million, or 61.4%, to \$44.9 million for the second quarter 2000 from \$27.8 million in the second quarter 1999. As a percentage of revenue, general and administrative expenses increased to 27.0% in the second quarter 2000 from 24.6% in the second quarter 1999. This percentage increase was primarily due to investment spending for LeadersOnline and for other complementary growth initiatives. In addition, industry practice development costs and depreciation expense were higher as we continued to invest in the growth of our company.

Net non-operating income (expense). Our net non-operating income increased \$5.0 million to \$5.0 million for the second quarter 2000 from a net non-operating income of \$29,000 in the second quarter 1999. This increase was primarily due to a \$3.1 million gain (net of consultants' bonuses and administrative costs) from the sale of equity obtained as part of our warrant program, under which we receive warrants for equity in certain client companies in addition to our normal cash fee when executing searches for such clients. Other items which increased net non-operating income included higher interest income arising from the investment of the net proceeds received from our initial public offering in April 1999 and our follow-on public offering in February 2000 (See Note 6 in the Notes to Consolidated Financial Statements above), and a decrease in interest expense due to a lower debt balance.

Six Months Ended June 30, 2000 Compared to the Six Months Ended June 30, 1999

Revenue. Our revenue increased \$110.8 million, or 59.0%, to \$298.4 million for the six months ended June 30, 2000 from \$187.6 million in 1999. The increase was due to several factors. Continued strong demand for our services across a number of industries and disciplines, especially financial services, technology and health care, and an increase in the number of consultants, contributed to the revenue growth as the number of confirmed searches increased. Fees per search were higher as our strategic focus on working at the top level of executive search continued to drive performance. In addition, the increase in revenue was partially due to the result of the Merger that occurred on February 26, 1999. As a result of the Merger, the full six months of HSI revenue is included in the six months ended June 30, 2000, whereas only approximately four months of HSI revenue is included in the six months ended June 30, 1999. Excluding HSI from both periods, revenue increased 48.8%.

We experienced significant revenue growth in all of our geographic segments during the six months ended June 30, 2000. In the United States, our revenue increased \$47.4 million, or 38.0%, to \$172.4 million for the six months ended June 30, 2000 from \$125.0 million in 1999, with particular strength in the financial services, technology and health care practice groups. In the Americas-Other segment, revenue rose 51.3% to \$11.0 million for the six months ended June 30, 2000 from \$7.3 million in the 1999 comparable period, primarily due to the growth of our technology practice in Latin America. In Europe, our revenue for the six months ended June 30, 2000 increased \$41.7 million, or 90.1%, to \$88.0 million from \$46.3 million in last year's comparable period, due primarily to the Merger, and an increased number of searches on a comparable basis, with particular strength in the financial services practice group. In Asia Pacific, revenue for the six months ended June 30, 2000 increased 96.3% to \$17.6 million from \$9.0 million in the comparable period of 1999, primarily due to strong performance in the financial services and technology practice groups. LeadersOnline generated \$9.3 million of revenue in the six months ended June 30, 2000 compared to \$150,000 of revenue in the six months ended June 30, 1999 when the newly launched subsidiary generated revenue for the first time.

Salaries and employee benefits. Our salaries and employee benefits increased \$75.2 million, or 59.8%, to \$200.7 million for the six months ended June 30, 2000 from \$125.5 million for the comparable period of 1999. As a percentage of revenue, salaries and employee benefits increased to 67.3% in the six months ended June 30, 2000 from 66.9% in the six months ended June 30, 1999, due primarily to LeadersOnline, which includes a recurring non-cash compensation charge arising from the issuance of stock options at a price below their deemed fair market value for accounting purposes. See Note 9 in the Notes to Consolidated Financial Statements above for further details.



General and administrative expenses. Our general and administrative expenses increased \$32.3 million, or 66.7%, to \$80.7 million for the six months ended June 30, 2000 from \$48.4 million for the six months ended June 30, 1999. As a percentage of revenue, general and administrative expenses increased to 27.1% in the first six months of 2000 from 25.8% in the six months of 1999. This percentage increase was primarily due to investment spending for LeadersOnline and for other complementary growth initiatives. In addition, industry practice development costs and depreciation expense were higher as we continued to invest in the growth of our company.

Nonrecurring charge. During the first quarter of 1999, we incurred a nonrecurring charge of \$12.4 million. See Note 3 in the Notes to Consolidated Financial Statements above for further details.

Net non-operating income (expense). Our net non-operating income increased \$8.4 million to \$8.1 million for the six months ended June 30, 2000 from a net non-operating expense of \$265,000 for the six months ended June 30, 1999. This increase was primarily due to a \$4.6 million gain (net of consultants' bonuses and administrative costs) from the sale of equity obtained as part of our warrant program, under which we receive warrants for equity in certain client companies in addition to our normal cash fee when executing searches for such clients. Other items which increased net non-operating income included higher interest income arising from the investment of the net proceeds received from our initial public offering in April 1999 and our follow-on public offering in February 2000 (See Note 6 in the Notes to Consolidated Financial Statements above), and a decrease in interest expense due to a lower debt balance.

#### Pro Forma Combined Results of Operations

The following table provides pro forma combined results of operations as well as the corresponding percentage of our revenue for the six months ended June 30, 2000 and 1999. The data gives affect to the Merger and the modification of the Mulder acquisition agreement, both of which affect year-to-date amounts only, as if the transactions had occurred on January 1, 1999.

	Six Months Ended June 30,			
	2000		1999 (1)(2)	
Revenue	\$298,352	100.0%	\$207,632	100.0%
Operating expenses:				
Salaries and employee benefits	200,663	67.3	140,460	67.6
General and administrative expenses (3)	80,743	27.1	54,876	26.4
Total operating expenses	281,406	94.4	195,336	94.0
Operating income	\$ 16,946	5.6%	\$ 12,296	6.0%

(1) The June 30, 1999 consolidated statements of income have been adjusted by the following amounts to reflect the historical operations of HSI:

	Six Months Ended June 30, 1999
Revenue	\$19,985
Salaries and employee benefits	15,836
General and administrative expenses	6,209

- (2) Excludes the \$12.4 million nonrecurring Mulder charge for the six months ended June 30, 1999. See further discussion in Note 3 in the Notes to Consolidated Financial Statements above. In addition, \$0.9 million of deferred compensation expense relating to the acquisition has been excluded for the six months ended June 30, 1999.
- (3) Includes additional amortization related to acquired intangibles and goodwill arising from the Merger of \$0.2 million for the six months ended June 30, 1999.

The following table sets forth, for the six months ended June 30, 2000 and 1999, our proforma revenue and operating income (loss) by segment. Management views our operations through two lines of business: Executive Search and LeadersOnline. We break out revenue and operating income in our core Executive Search business into two broad geographic segments: Americas and International. The Americas segment comprises the United States and Other (Canada and Latin America). The International segment comprises Europe (which includes Africa and the Middle East) and Asia Pacific.

	Six Months Ended June 30,	
	----- 2000	1999 -----
Revenue:		
Americas		
United States	\$ 172,438	\$ 124,955
Other	11,013	7,281
International		
Europe	87,992	66,282
Asia Pacific	17,598	8,964
	-----	-----
Total Executive Search	289,041	207,482
LeadersOnline	9,311	150
	-----	-----
Total	\$ 298,352	\$ 207,632
	=====	=====
Operating income (loss):		
Americas		
United States	\$ 28,275	\$ 19,214
Other	1,290	954
International		
Europe	8,684	1,706
Asia Pacific	2,991	892
	-----	-----
Total Executive Search	41,240	22,766
LeadersOnline	(8,519)	(2,639)
Corporate	(15,775)	(7,831)
	-----	-----
Total	\$ 16,946	\$ 12,296
	=====	=====

Pro Forma Combined Results of Operations for the Six Months Ended June 30, 2000  
Compared to the Six Months Ended June 30, 1999

Revenue. Our revenue increased \$90.8 million, or 43.7%, to \$298.4 million for the six months ended June 30, 2000 from \$207.6 million for the six months ended June 30, 1999. Excluding the negative effect of foreign currency translations into the U.S. dollar, revenue grew 48.0%. This increase was due to continued strong demand for our executive search services across a number of industries and disciplines, especially financial services, technology and health care, and an increase in the number of consultants, as the number of confirmed searches increased. In addition, fees per search were higher as our strategic focus on working at the top level of executive search continued to drive performance.

Salaries and employee benefits. Our salaries and employee benefits increased \$60.2 million, or 42.9%, to \$200.7 million for the six months ended June 30, 2000 from \$140.5 million for the six months ended June 30, 1999. As a percentage of revenue, salaries and employee benefits decreased from 67.6% to 67.3%, as higher revenue enabled us to leverage the fixed cost portion of our workforce.

General and administrative expenses. Our general and administrative expenses increased \$25.8 million, or 47.1%, to \$80.7 million for the six months ended June 30, 2000 from \$54.9 million for the comparable period of 1999. As a percentage of revenue, general and administrative expenses increased from 26.4% to 27.1%. This percentage increase was primarily due to investment spending for LeadersOnline and for other complementary growth initiatives. In addition, industry practice development costs and depreciation expense were higher as we continued to invest in the growth of the company.

#### Liquidity and Capital Resources

We periodically evaluate our liquidity requirements, capital needs and availability of capital resources based on our plans for expansion and other operating needs. We finance our operations through internally generated funds and the availability of borrowings under our credit facilities. In addition, we received \$51.8 million from our initial public offering in April 1999 and \$76.2 million from our follow-on public offering in February 2000. We pay a portion of our bonuses in December and the remainder is paid in March. Employee bonuses are accrued when earned and are based on our performance and the performance of the respective employee.

We believe that the net proceeds from our common stock offerings, together with funds expected to be generated from operations and our lines of credit, will be sufficient to finance our operations for the foreseeable future. However, if we undertake significant acquisitions or other investment activities, we may need access to additional sources of debt or equity financing.

On April 10, 2000, our subsidiary, LeadersOnline, filed a registration statement with the Securities and Exchange Commission relating to a proposed initial public offering of its Class A common stock. In April 2000, LeadersOnline sold a total of 609,000 shares of its common stock to VerticalNet, Inc. and to certain of our employees for \$5 per share. The net cash proceeds, after expenses, were \$2.9 million and we recorded a gain in stockholders' equity of \$2.7 million as a result of this transaction. We may investigate additional capital raising methods to further the development of LeadersOnline including investments by third parties.

We maintained cash and cash equivalents at June 30, 2000 and 1999 of \$144.2 million and \$66.6 million, respectively. For the six months ended June 30, 2000, cash flows from operating activities contributed \$24.9 million, reflecting net income and non-cash expenses for compensation, depreciation and amortization, as well as a decrease in working capital. For the six months ended June 30, 1999, cash flows from operating activities contributed \$28.5 million, as the net loss was offset by non-cash items such as depreciation and amortization, the \$12.4 million nonrecurring charge, as well as a decrease in working capital.

During the six months ended June 30, 2000 we acquired three executive search firms for \$15.8 million in cash and an additional \$4.1 million in shares of our common stock. On February 26, 1999, H&S merged with and into HSI resulting in \$8.2 million of cash being acquired.

During 1999, we began selling equity securities obtained as part of our warrant program. The amount of cash received during the six months ended June 30, 2000, as a result of the sale of these securities was \$4.6 million, net of consultants' bonuses and administrative costs of the program. Since the second half of 1999, we have been selling equity securities obtained as part of our warrant program.

Capital expenditures were \$10.7 million and \$12.3 million for the six months ended June 30, 2000 and 1999, respectively. These expenditures were primarily for technology development costs, office furniture and fixtures, leasehold improvements, and computer equipment and software.

On June 29, 2000, we announced that we formed a strategic alliance with Silicon Valley Internet Capital ("SVIC"), a newly formed, San Francisco-based company that will create and provide operating support for Internet infrastructure companies. We will be the preferred global executive search firm for SVIC's companies. We invested \$10 million in SVIC's first round of financing during the three months ended June 30, 2000.

Cash flows provided by financing activities were \$77.6 million for the six months ended June 30, 2000, resulting from the net proceeds raised in the follow-on public offering, exercise of stock options and the sale of LeadersOnline stock, partially offset by payment on debt related to the Fenwick acquisition. See Note 6 in our Notes to Consolidated Financial Statements included in this document. Cash flows provided by financing activities were \$31.8 million for the six months ended June 30, 1999, resulting from the net proceeds raised from our initial public offering partially offset by our net repayments under our lines of credit.

We have a \$50.0 million reducing revolving credit facility. This facility will terminate on December 31, 2001. The line of credit will reduce by \$10.0 million on December 31, 2000. There were no borrowings outstanding under this line of credit at June 30, 2000 and 1999. At our discretion, we may borrow either U.S. dollars on deposit in the United States or U.S. dollars or foreign currencies on deposit outside the United States. Non-U.S. borrowings bear interest at the then-existing LIBOR plus a margin as determined by certain tests of our financial condition. U.S. borrowings bear interest at the then-existing prime rate.

The current line of credit has certain financial covenants we must meet relating to consolidated net worth, liabilities, and debt in relation to cash flows. At June 30, 2000, we are in compliance with these financial covenants.

On December 16, 1999, we announced that our board of directors approved the formation of H&S Capital, a separate entity that will raise capital to establish venture funds that invest in early stage companies, primarily in the technology sector. We expect to invest up to \$25 million of cash in H&S Capital, the timing of which has yet to be determined.

#### Derivatives

We receive warrants for equity in our client companies, in addition to our cash fee, for services rendered on some searches. When the warrants are received, revenue is recorded equal to the estimated fair market value of the instrument received. Thereafter, the securities are accounted for as available-for-sale investments. We have entered into a collar agreement to hedge the impact of market value changes of one of these equity securities. Collars consist of the sale of call options along with a corresponding purchase of put options, with the effect of establishing the highest and lowest prices at which the securities will be sold during a certain time period. The collar has been designated and is effective as a hedge of the equity security. Unrealized gains and losses on both the equity security and the collar are recorded in equity and comprehensive income. When realized, gains and losses on the equity security and the collar are recorded in income. The Company has the right to put and the counterparty has the right to call a portion of the shares on a quarterly basis in accordance with an established schedule.

#### Currency Market Risk

Historically, we have not experienced any significant translation gains or losses on transactions involving U.S. dollars and other currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings.

#### Year 2000 Compliance

We have not experienced any significant Year 2000-related issues. Based upon information currently known to us, we believe that all critical areas of our business are Year 2000 compliant. Our Year 2000 efforts focused on ensuring that our information technology would achieve a Year 2000 date conversion with no disruption to our business operations and that contingency plans were developed to address most likely worst case scenarios. Information systems, third-party suppliers and date-related issues, if any, related to our business operations will continue to be monitored and contingency plans will remain in place. We do not anticipate any further significant expenditures for these or any other Year 2000 compliance activities.

## European Monetary Union

Commencing January 1, 1999, eleven European countries entered into the European Monetary Union ("EMU") and introduced the Euro as a common currency. During a three-year transition period, the national currencies will continue to circulate, but their relative values will be fixed denominations of the Euro.

We recognize that there are risks and uncertainties associated with the conversion to the Euro including, but not limited to, an increasingly competitive European environment resulting from greater transparency of pricing, increased currency exchange rate risk, uncertainty as to tax consequences and the inability to update financial reporting systems on a timely basis.

We have upgraded our systems to enable us to process transactions denominated in the Euro. Further systems upgrades will be adopted between now and December 2000. Failure to adapt information technology systems could have an adverse effect on our financial condition and results of operations. We are also dependent on many third parties, including banks and other providers of information, for proper transaction clearance and reporting. If any of these systems are not appropriately upgraded to manage transactions denominated in the Euro, our operations could suffer.

## Recently Issued Accounting Standards

During 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes new standards for reporting information about derivatives and hedging. The FASB issued SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities -Deferral of the Effective Date of FASB Statement No. 133," in 1999, which deferred the effective date of SFAS No. 133 for one year. The standard is effective for annual periods beginning after June 15, 2000 and will be adopted by us as of January 1, 2001. We expect that adoption of this Standard will have no material effect on our consolidated financial position or results of operations.

During 2000, the FASB issued FASB Interpretation No. 44 (FIN) "Accounting for Certain Transactions Involving Stock Compensation-an Interpretation of APB Opinion No. 25." It clarifies a number of issues concerning stock compensation accounting. The standard is effective for periods beginning after July 1, 2000 and will be adopted by us as of that date. Adoption of FIN 44 will result in a change from fixed to variable accounting for stock options issued to individuals now considered to be non-employees. Beginning on July 1, 2000, the company will record compensation expense based on the change in the fair value of the related options.

## Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations as well as other sections of this Quarterly Report on Form 10-Q contain forward-looking statements that are based on the current beliefs and expectations of our management, as well as assumptions made by, and information currently available to, our management. Such statements include those regarding general economic and executive search industry trends. Because such statements involve risks and uncertainties, actual actions and strategies, and the timing and expected results thereof, may differ materially from those expressed or implied by such forward-looking statements, and our future results, performance or achievements could differ materially from those expressed in, or implied by, any such forward-looking statements. Future events and actual results could differ materially from those set forth in or underlying the forward-looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted. These potential risks and uncertainties include dependence on attracting and retaining qualified executive search consultants, portability of client relationships, maintenance of professional reputation and brand name, risks associated with global operations, ability to manage growth, restrictions imposed by off-limits agreements, competition, implementation of our acquisition strategy, reliance on information management systems and the impact of Year 2000 issues, and employment liability risk. In addition to the factors noted above, other risks,

uncertainties, assumptions, and factors that could affect our financial results are described in our recent filings, which are on record with the Securities and Exchange Commission.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time we have been involved in litigation incidental to our business. We currently are not a party to any litigation the adverse resolution of which, in management's opinion, would be likely to have a material adverse effect on our business, financial condition or results of operations.

### Item 2. Changes in Securities

#### Recent Sales of Unregistered Securities

Pursuant to the terms and conditions of the Fenwick Partners, Inc. acquisition, we issued 23,436 shares of our common stock on June 26, 2000 in addition to cash, to settle the deferred consideration under the purchase agreement. Pursuant to such acquisition, we received no proceeds from the issuance of stock to the Fenwick stockholders for which exemption from registration is claimed under Section 4(2) of the Securities Act of 1933.

Pursuant to the terms and conditions of the Lynch Miller Moore O'Hara, Inc. acquisition, on May 1, 2000, we issued 87,883 shares of our common stock in addition to cash, to purchase all of the outstanding common stock of the acquired company. Pursuant to such acquisition, we received no proceeds from the issuance of stock to the Lynch Miller Moore O'Hara stockholders for which exemption from registration is claimed under Section 4(2) of the Securities Act of 1933.

### Item 4. Submission of Matters to a Vote of Security Holders

At our Annual Meeting of Stockholders held on June 2, 2000 in New York, New York, our stockholders voted on the following matters:

1. The election of four directors, Messrs. David B. Kixmiller, Bengt Lejsved and Robert W. Shaw, and Ms. Carlene M. Ziegler, to serve for a term of three years or until their successors have been elected and qualified. The nominees to the Board of Directors were elected.

Name of Nominee - - - - -	Number of Votes For -----	Number of Votes Withheld -----
David B. Kixmiller	13,110,824	726,122
Bengt Lejsved	13,161,123	655,823
Robert W. Shaw	13,569,601	247,345
Carlene M. Ziegler	13,591,274	225,672

2. Adoption of a proposal to amend the 1998 Heidrick & Struggles GlobalShare Program I and the 1998 Heidrick & Struggles GlobalShare Program II. The amendment was approved.

Number of Votes For.....	9,712,148
Number of Votes Against.....	3,902,570
Number of Withheld.....	0
Number of Broker Non-Votes.....	0
Number of Abstentions.....	202,228

3. Adoption of a proposal to approve the material terms of a CEO performance-based incentive compensation plan. The proposal was approved.

Number of Votes For.....	12,725,619
Number of Votes Against.....	779,763
Number of Withheld.....	0
Number of Broker Non-Votes.....	0
Number of Abstentions.....	311,564

4. Ratification of the appointment of Arthur Andersen LLP as our independent public accountant for the year 2000. The appointment was ratified.

Number of Votes For.....	13,675,028
Number of Votes Against.....	810
Number of Withheld.....	0
Number of Broker Non-Votes.....	0
Number of Abstentions.....	141,108

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
3.01	Form of Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.02 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
3.03	Form of Amended and Restated By-laws of the Registrant (Incorporated by reference to Exhibit 3.03 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
10.09	Amended and Restated Employment Agreement of Patrick S. Pittard
99.03	Amendments 1 through 4 to the 1998 Heidrick & Struggles GlobalShare Program I and the 1998 Heidrick & Struggles GlobalShare Program II
27	Financial Data Schedule

(b) Reports on Form 8-K

We filed a report under Item 5 of Form 8-K on June 30, 2000 related to our \$10 million investment in SVIC.

SIGNATURE

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 14, 2000.

Heidrick & Struggles International, Inc.  
(Registrant)

By:/s/ Donald M. Kilinski

-----  
Donald M. Kilinski  
Chief Financial Officer



AMENDED AND RESTATED EMPLOYMENT AGREEMENT  
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AGREEMENT, dated June 5, 2000 and effective as of January 1, 2000 (the "Effective Date") by and among Heidrick & Struggles, Inc., a Delaware corporation (together with its successors and assigns permitted under this Agreement, the "Company"), Heidrick & Struggles International, Inc., a Delaware corporation (together with its successors and assigns permitted under this Agreement, the "Parent"), and Mr. Patrick S. Pittard (the "Executive").

W I T N E S S E T H :  
-----

WHEREAS, the Company desires to continue to employ the Executive and the Executive desires to continue to be employed by the Company;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, the Parent, the Company and the Executive (individually a "Party" and together the "Parties") hereby amend and restate in its entirety the February 26, 1999 employment agreement between the Executive and the Company and agree as follows:

1. Definitions.  
-----

(a) "Affiliate" of a person or other entity shall mean a person or other entity that directly or indirectly controls, is controlled by, or is under common control with the person or other entity specified.

(b) "Base Salary" shall mean the salary provided for in Section 4 below or any increased salary granted to the Executive pursuant to Section 4.

(c) "Board" shall mean the Board of Directors of the Parent.

(d) "Cause" shall mean:

(i) the embezzlement or misappropriation of funds or property of the Company or its Affiliates by the Executive, the conviction of, or the entrance of a plea of guilty or nolo contendere by, the Executive to a felony which has the potential to have a negative impact upon the company's reputation or otherwise bring the Company, any of its Affiliates, or the CEO into disrepute, or the termination of the Executive's employment with the Company pursuant to the Company's harassment policy; or

(ii) gross neglect or willful misconduct by the Executive in carrying out his duties under this Agreement, resulting, in either case, in material economic harm to the Company or its Affiliates; or

(iii) breach by the Executive of the provisions of Sections 12, 13 or 14 of this Agreement.

For purposes of this definition, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company or its Affiliates.

(e) A "Change in Control" shall mean the occurrence of any of the following events:

(i) any Person (other than the Parent or its Affiliates, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or any company owned, directly or indirectly, by the stockholders of the Parent in substantially the same proportions as their ownership of stock of the Parent), becomes the Beneficial Owner, directly or indirectly, of securities of the Parent representing 20 percent or more of the combined voting power of the Parent's then-outstanding securities;

(ii) during any period of 24 months, individuals who, at the beginning of such period, constitute the Board, and any new director (other than (A) a director nominated by a Person who has entered into an agreement with the Parent to effect a transaction described in subsections (e)(i), (iii) or (iv), (B) a director nominated by any Person (including the Parent) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which, if consummated, would constitute a Change in Control, or (C) a director nominated by any Person who is the Beneficial Owner, directly or indirectly, of securities of the Parent representing 10 percent or more of the combined voting power of the Parent's securities) whose election by the Board or nomination for election by the Parent's stockholders was approved in advance by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of the Parent approve any transaction or series of transactions under which the Parent is merged or consolidated with any other company, other than a merger or consolidation (A) which would result in the voting securities of the Parent outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent corporation) more than 66-2/3 percent of the combined voting power of the voting securities of the Parent or such surviving entity or its parent corporation outstanding immediately after such merger or consolidation, and (B) after which no Person holds 20 percent or more of the combined voting power of the then-outstanding securities of the Parent or such surviving entity or its parent corporation; or

(iv) the stockholders of the Parent approve a plan of complete liquidation of the Parent or an agreement for the sale or disposition by the Parent of all or substantially all of the assets of the Parent.

For purposes of this Change in Control definition, "Beneficial Owner" has the meaning contained in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Act") and "Person" has the meaning contained in Section 3 of the Act or as such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).

(f) "COBRA" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1986 and the regulations promulgated thereunder, as amended from time to time.

(g) "Common Stock" shall mean the common stock, \$0.01 par value, of the Parent.

(h) "Constructive Termination without Cause" shall mean termination by the Executive of his employment at his initiative within 30 days following the occurrence of any of the following events without his consent:

(i) a reduction in the Executive's then current Base Salary or target bonus opportunity;

(ii) a reduction in the aggregate value of the benefits provided to the Executive under the Company's medical, health, accident, disability, life insurance, thrift and retirement plans, other than any reduction that occurs as a result of a modification or termination of such plans and programs which affects all participants in such plans or programs;

(iii) the removal of the Executive from any of the positions described in Section 3(a) below;

(iv) a material diminution in the Executive's duties as described in Section 3(a) below;

(v) a change in the reporting structure so that the Executive reports to someone other than the Board;

(vi) any purported termination of the Executive's employment that is not effected for Cause or Disability; or

(vii) the failure of the Parent to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Parent within 15 days after a merger, consolidation, sale or similar transaction.

Following written notice from the Executive of any of the events described above, the Company or the Parent, as applicable, shall have 30 calendar days in which to cure. If the Company or the Parent, as the case may be, fails to cure, the Executive's termination shall become effective on the 31st calendar day following the written notice.

During the CEO Period, as described in Section 3(a) below, all subparagraphs (i) through (vii) are applicable. During the Leave of Absence Period, as described in Section 3(b) below, only

subparagraphs (i), (ii) and (vii) are applicable and during the Return to Employment Period, as described in Section 3(c) below, all subparagraphs except (iii), (iv) and (v) are applicable.

(i) "Disability" shall mean the total and permanent disability of the Executive as defined or described in the Company's long-term disability benefit plan applicable to senior level executives as in effect at the time the Executive's disability is incurred, or, if no such plan is in effect at the time of the Executive's disability, then "Disability" shall mean the Executive's inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities under this Agreement as determined by a medical doctor selected by the Company and the Executive. If the Parties cannot agree on a medical doctor, each Party shall select a medical doctor and the two doctors shall select a third who shall be the approved medical doctor for this purpose.

(j) "Effective Period" shall mean the 24-month period following any Change in Control.

(k) "Fair Market Value" shall mean, as of any date, the lesser of the closing sales price or the average of the high and low prices of the Parent Common Stock as reported on the New York Stock Exchange or any other stock exchange on which the Parent Common Stock is traded on the date of grant, or, in the event there is no public market for the Parent Common Stock, the fair market value as determined, in good faith, by the Board or the Compensation Committee of the Board ("Committee") in its sole discretion.

(l) "Paid Bonus" shall mean

(i) for any calendar year ending on or after December 31, 2000, the CEO Bonus paid for that calendar year,

(ii) for the calendar year ending on December 31, 1999, 80% of the annual bonus paid to the Executive for that year,

(iii) for the calendar year ending on December 31, 1998, the annual bonus paid to the Executive for the period ending September 30, 1998, and

(iv) for the calendar year ending on December 31, 1997, the annual bonus paid to the Executive for the period ending September 30, 1997.

(m) "Pro Rata" shall mean a fraction, the numerator of which is the number of days that the Executive was employed in the applicable performance period (a calendar year in the case of an annual bonus and a performance cycle in the case of an award under the Long-Term Incentive Plan) and the denominator of which shall be the number of days in the applicable performance period.

(n) "Term of Employment" shall mean the period specified in Section 2 below.

2. Term of Employment. The Term of Employment shall begin on the Effective Date, and shall extend until the fifth anniversary of the Effective Date. Notwithstanding the foregoing, the Term of Employment may be earlier terminated by either Party in accordance with the provisions of Section 11.

3. Position, Duties and Responsibilities.

(a) The CEO Period. Commencing on the Effective Date and continuing until December 31, 2001 (the "CEO Period"), the Executive shall be employed as the Chief Executive Officer of the Parent and the Company and be responsible for the general management of the affairs of the Parent, the Company, and their Affiliates. The Executive, in carrying out his duties under this Agreement, shall report to the Board.

(b) The Leave of Absence Period. At the expiration of the CEO Period, at his option and with the consent of the Board, the Executive may have a paid leave of absence of up to 12 months (the "Leave of Absence Period"). The Board's consent may not be unreasonably withheld and shall be given provided that the Parent, the Company and their Affiliates are doing well and there is no pressing business reason to postpone or shorten the Leave of Absence Period. During the Leave of Absence Period, the Executive shall receive his then current monthly Base Salary for each month of the Leave of Absence Period (the "Leave of Absence Compensation"). During the Executive's Leave of Absence Period, it is the expectation and desire of the Parent and the Company that the Executive continue to maintain business development related activities so that when he returns to employment at the Company to continue his executive search practice his business contacts and relationships will have been retained. The Company will reimburse him (upon receipt of the customary expense report) for his reasonable business development related expenses consistent with his past activities, and will also continue to reimburse him during this period for any company car expenses and club dues and expenses that were paid by the Company prior to his leave of absence.

(c) The Return to Employment Period. Following his Leave of Absence Period, the Executive may, at his option, return to the Company as a search professional. For the 24-month period following his return to the firm (the "Return to Employment Period"), his total compensation (base and bonus)(the "Return to Employment Compensation") shall be guaranteed to be not less than \$1,000,000 for the first 12 months and \$750,000 for the second 12 months, and thereafter his base salary shall be not less than \$562,500 per year during his employment with the Company.

(d) Outside Interests. Nothing herein shall preclude the Executive from (i) serving on the boards of directors of a reasonable number of other corporations with the concurrence of the Board (which approval shall not be unreasonably withheld), (ii) serving on the boards of a reasonable number of trade associations and/or charitable organizations, (iii) engaging in charitable activities and community affairs, and (iv) managing his personal investments and affairs, provided that such activities do not conflict or materially interfere with the effective discharge of his duties and responsibilities under Sections 3(a) or 3(c) above.

4. Base Salary. The Executive shall be paid an annualized Base Salary for the CEO Period, payable in accordance with the regular payroll practices of the Company, of \$700,000. The Base Salary shall be reviewed for increase for the year 2001 in the discretion of the Board.

5. Annual Bonus. For the years 2000 and 2001, the Executive shall have the opportunity to receive a performance-based bonus, determined in accordance with the CEO Incentive Plan (the "CEO Plan") attached hereto as Exhibit A and incorporated herein by reference. Upon at least 15 days' prior notice to the Company's Chief Financial Officer, the Executive may request an advance of up to \$1,000,000 against any annual bonus earned under the CEO Plan for the calendar year 2000; provided, however, that if (a) the Executive and/or the Company and its Affiliates fail to achieve the performance goals established by the CEO Plan, then not later than thirty (30) days following the date (the "Determination Date") on which the Committee determines achievement of the CEO Plan 2000 performance goals by the Executive and/or the Company and its Affiliates in accordance with the terms of the CEO Plan, the Executive shall repay to the Company the amount by which such advance exceeds the bonus earned for year 2000 under the terms of the CEO Plan, and (b) the Executive's employment with the Company is terminated for any reason prior to the Determination Date, then on the effective date of the termination of the Executive's employment with the Company, the Company shall deduct such advance from any amounts payable to the Executive under the provisions of Section 11 of this Agreement.

6. Stock Option Grant. The Parent shall grant to the Executive an option to purchase 100,000 shares of Parent Common Stock at the Fair Market Value of the Parent Common Stock on the date of grant. Such option shall be granted pursuant and subject to the terms and conditions of the 1998 Heidrick and Struggles Global Share Program I within 30 days of the date of execution of this Agreement by both Parties, and shall vest in increments of 25% a year over the four year period following the date of grant.

7. Employee Benefit Programs. During the Term of Employment, the Executive shall be entitled to participate in any employee pension and welfare benefit plans and programs made available to the Company's senior level executives or to its employees generally, to the extent permitted under the terms of such plans and programs and as such plans or programs may be in effect from time to time, including, without limitation, pension, profit sharing, savings and other retirement plans or programs, 401(k), medical, dental, hospitalization, short-term and long-term disability and life insurance plans, accidental death and dismemberment protection, travel accident insurance, and any other employee benefit plans or programs that may be sponsored by the Company from time to time. In addition, the Company shall use its best efforts to provide the Executive with a minimum of \$4 million term life insurance coverage during the Term of Employment, subject to the ability of the Parent or the Company to obtain such term life insurance at standard insurance rates. The Executive shall be entitled to five weeks paid vacation per year of employment, which shall accrue and otherwise be subject to the Company's vacation policy for senior executives. Following the Term of Employment, the Executive shall be entitled to participate as a retiree (at his own expense) in the group health insurance plans of the Company as provided under COBRA.

8. Supplemental Pension. The Executive shall be provided with a Supplemental Pension commencing at age 60. The Supplemental Pension shall be an annuity for the life of the

Executive with annual payments equal to the greater of (a) an amount equal to 50% of the average cash compensation earned by the Executive in respect of his final three years as Chief Executive Officer of the Parent and the Company or (b) \$1 million. The standard form of benefit shall be a single life annuity for the life of the Executive; however, prior to the commencement of the payment of the Supplemental Pension hereunder, the Executive may elect to receive his Supplemental Pension in any of the following alternative forms: (i) a 100% joint and survivor annuity for his life and the life of his then spouse, or (ii) a 50% joint and survivor annuity for his life and the life of his then spouse. In the event that the Executive elects one of these alternative forms of payment, each payment shall be actuarially reduced to compensate for the election of the spousal benefit. The amount of the reduced payment shall be determined as of the date of the commencement of the payment of such benefit, using the 1983 US GATT (unisex) mortality table and an interest rate equal to the average yield of a 30-year treasury security for the month prior to the month in which the Supplemental Pension payments commence, or in the event a 30-year treasury security is unavailable at such time, then the next longest long-term U.S. treasury security available. The Supplemental Pension benefit form elected by the Executive shall be paid in monthly installments and shall commence on the first day of the first month following the later to occur of (c) the Executive's 60th birthday, and (d) the Executive's termination of employment with the Company. With the approval of the Committee, the Executive, upon termination of employment, may elect to commence receipt of payment of the Supplemental Pension benefit prior to his 60th birthday. In the event that the Executive elects to commence receiving his Supplemental Pension benefits prior to age 60 and the Committee approves such election, the monthly payments made to the Executive and his spouse, if applicable, shall be reduced by 5% for each year by which the Supplemental Pension payments commence prior to the date of the Executive's 60th birthday. The Executive's entitlement to the Supplemental Pension shall vest on the earliest to occur of (e) December 31, 2001, provided that the Executive is employed by the Company on that date, (f) the Executive's termination of employment by the Company without Cause, (g) the Executive's Constructive Termination without Cause, or (h) the Executive's termination of employment on account of Disability.

In the event that the Executive dies after termination of employment but prior to the commencement of the receipt of payments of the Supplemental Pension benefit, and is vested in the Supplemental Pension benefit, the Executive's surviving spouse shall be entitled immediately to commence receiving monthly payments for her lifetime which are equal to the amount she would have been entitled to receive had the Executive terminated employment with the Company on the day prior to his death, been vested in his Supplemental Pension benefit at that time, had received any necessary approval with respect to the commencement of benefits from the Committee, and had elected to receive his Supplemental Pension benefit immediately in the form of a 100% joint and survivor annuity.

9. Reimbursement of Business and Other Expenses during the Term of Employment. The Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement and the Company shall promptly reimburse him for all reasonable business expenses incurred in connection with carrying out the business of the Company and its Affiliates, subject to documentation in accordance with the Company's policy. The Company shall pay all reasonable legal fees and expenses incurred by the Executive in connection with the documentation of the Executive's employment arrangements with the Company, not to exceed \$20,000.

10. Perquisites during the Term of Employment. During the Term of Employment, the Executive shall receive standard Company executive perquisites, including, without limitation, the following:

(a) The Executive shall continue to be entitled to first-class travel and spouse travel (on the same basis) when the Executive determines there is a business need for such travel.

(b) The Executive shall continue to be provided a luxury class automobile and to be reimbursed for related expenses.

(c) The Executive shall continue to be provided with dues and memberships for certain clubs and country clubs, as determined by the Board in its discretion.

(d) The Company shall reimburse the Executive for financial planning and tax preparation fees.

(e) The Company shall pay for the Executive to have a comprehensive annual physical.

(f) In the event that any of the perquisites provided pursuant to this Section 9 result in tax to the Executive, they shall be provided on a tax grossed-up basis.

11. Termination of Employment.  
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(a) Termination Due to Death during the Term of Employment. In the event that the Executive's employment is terminated due to his death, his estate or his beneficiaries, as the case may be, shall be entitled to the following benefits:

(i) During the CEO Period,

(A) Base Salary through the date of termination, to the extent not theretofore paid;

(B) a Pro Rata annual incentive award for the calendar year in which the Executive's death occurs, based on the higher of (1) the Paid Bonus for the prior year or (2) the average of the Paid Bonuses for the prior three years, payable in a single installment promptly after his death; and

(C) all outstanding options or equity instruments, whether or not then exercisable, shall become exercisable and shall remain exercisable for the remainder of their originally scheduled terms.

(ii) During the Leave of Absence Period and the Return to Employment Period, the same benefits as during the CEO Period, except that Subsections (A)



and (B) above shall not be applicable, and the Executive's estate or beneficiaries shall be entitled to the Leave of Absence Compensation or Return to Employment Compensation, as applicable on the date of termination, through the date of termination, to the extent not theretofore paid.

(b) Termination Due to Disability during the Term of Employment. In the event that the Executive's employment is terminated due to his Disability, he shall be entitled to the following benefits:

(i) During the CEO Period,

(A) disability benefits in accordance with any long-term disability program in effect for senior executives of the Company at the time the Executive's Disability is incurred;

(B) Base Salary through the date of termination, to the extent not theretofore paid;

(C) a Pro Rata annual incentive award for the calendar year in which the Executive's termination occurs, based on the higher of (1) the Paid Bonus for the prior year or (2) the average of the Paid Bonuses for the prior three years, payable in a single installment promptly after his termination;

(D) all outstanding options or equity instruments, whether or not then exercisable, shall become exercisable and shall remain exercisable for the remainder of their originally scheduled terms;

(E) immediate vesting of the Supplemental Pension Benefit, with payments reduced in accordance with Section 8 of this Agreement to the extent such benefits commence prior to age 60; and

(F) subject to the Executive's continued compliance with Sections 12, 13 and 14 hereof, continued participation in such employee welfare benefit plans and programs made available to the Company's senior level executives or to its employees generally until the earlier to occur of (i) the second anniversary of the Executive's effective date of termination of employment or (ii) such time as the Executive is covered by comparable programs of a subsequent employer; provided, however, that in the event the Company is unable to provide such benefits, the Company shall make annual payments to the Executive in an amount such that following the Executive's payment of applicable taxes thereon, the Executive retains an amount equal to the cost of the Executive, net of any cost that would otherwise be borne by the Executive, of obtaining benefits equivalent to those in effect on the date of termination of employment. Benefits otherwise receivable by the

Executive pursuant to this Section 11(b)(i)(F) shall be reduced to the extent comparable benefits are actually received during the two year period following termination, and any such benefits actually received by the Executive shall be reported to the Company.

(ii) During the Leave of Absence Period and the Return to Employment Period, the same benefits as during the CEO Period, except that Subsections (B) and (C) above shall not be applicable, and the Executive shall be entitled to the Leave of Absence Compensation or Return to Employment Compensation, as applicable on the date of termination, through the date of termination, to the extent not theretofore paid.

In no event shall a termination of the Executive's employment for Disability occur until the Party terminating his employment gives written notice to the other Party in accordance with Section 25 below.

(c) Termination by the Company for Cause during the Term of Employment.

(i) A termination for Cause shall not take effect unless the provisions of this paragraph (i) are complied with. The Executive shall be given written notice by the Board of the intention to terminate him for Cause, such notice (A) to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based and (B) to be given within six months of the Board learning of such act or acts or failure or failures to act. The Executive shall have ten calendar days after the date that such written notice has been given to the Executive in which to cure such conduct, to the extent such cure is possible. If he fails to cure such conduct or such cure is not possible, the Executive shall then be entitled to a hearing before the Board. Such hearing shall be held within 15 calendar days of such notice to the Executive, provided he requests such hearing within ten calendar days of the written notice from the Board of the intention to terminate him for Cause. If, within five calendar days following such hearing, the Executive is furnished written notice by the Board confirming that, in its judgment, grounds for Cause on the basis of the original notice exist, he shall thereupon be terminated for Cause.

(ii) In the event the Company terminates the Executive's employment for Cause:

(A) he shall be entitled to Base Salary, Leave of Absence Compensation or Return to Employment Compensation, as applicable on the date of termination, through the date of the termination to the extent not theretofore paid; and

(B) all outstanding options shall be forfeited; and

(C) the Supplemental Pension Benefit shall be forfeited if such termination occurs during the CEO Period.

(d) Termination without Cause or Constructive Termination without Cause during the Term of Employment. In the event the Executive's employment is terminated by the

Company without Cause, other than due to Disability or death, or in the event there is a Constructive Termination without Cause, the Executive shall be entitled to the following benefits:

- (i) During the CEO Period,
  - (A) Base Salary through the date of termination to the extent not theretofore paid;
  - (B) a lump sum amount equal to the product of two (2) times the Executive's Base Salary in effect on the date of termination (or, if the Executive's Base Salary has been reduced in breach of this Agreement, the Executive's Base Salary before such reduction), payable promptly following the date of termination;
  - (C) a lump sum amount equal to two (2) times the higher of (1) the Paid Bonus for the prior year or (2) the average of the Paid Bonuses for the prior three years, payable promptly following his date of termination;
  - (D) all outstanding options or equity instruments shall immediately become exercisable and shall remain exercisable for the remainder of their originally scheduled terms;
  - (E) immediate vesting of the Supplemental Pension Benefit, with payments reduced in accordance with Section 8 of this Agreement to the extent such benefits commence prior to age 60; and
  - (F) subject to the Executive's continued compliance with Sections 12, 13 and 14 hereof, continued participation in such employee welfare benefit plans and programs made available to the Company's senior level executives or to its employees generally until the earlier to occur of (i) the second anniversary of the Executive's effective date of termination of employment or (ii) such time as the Executive is covered by comparable programs of a subsequent employer; provided, however, that in the event the Company is unable to provide such benefits, the Company shall make annual payments to the Executive in an amount such that following the Executive's payment of applicable taxes thereon, the Executive retains an amount equal to the cost of the Executive, net of any cost that would otherwise be borne by the Executive, of obtaining benefits equivalent to those in effect on the date of termination of employment. Benefits otherwise receivable by the Executive pursuant to this Section 11(d)(i)(F) shall be reduced to the extent comparable benefits are actually received during the two

year period following termination, and any such benefits actually received by the Executive shall be reported to the Company.

(ii) Return to Employment Period,

During the Leave of Absence Period and the

(A) the Leave of Absence Compensation for the number of months remaining of the Leave of Absence Period as of the date of termination, to the extent any months remain of the Leave of Absence Period agreed to between the Executive and the Company, and the Return to Employment Compensation for the remaining Term of Employment,

(B) the Supplemental Pension Benefit, reduced in accordance with Section 8 of this Agreement to the extent such benefits commence prior to Age 60;

(C) all outstanding options or equity instruments shall immediately become exercisable and shall remain exercisable for the remainder of their originally scheduled terms;

(D) subject to the Executive's continued compliance with Sections 12, 13 and 14 hereof, continued participation in such employee welfare benefit plans and programs made available to the Company's senior level executives or to its employees generally until the earlier to occur of (i) the second anniversary of the Executive's effective date of termination of employment or (ii) such time as the Executive is covered by comparable programs of a subsequent employer; provided, however, that in the event the Company is unable to provide such benefits, the Company shall make annual payments to the Executive in an amount such that following the Executive's payment of applicable taxes thereon, the Executive retains an amount equal to the cost of the Executive, net of any cost that would otherwise be borne by the Executive, of obtaining benefits equivalent to those in effect on the date of termination of employment. Benefits otherwise receivable by the Executive pursuant to this Section 11(d)(ii)(D) shall be reduced to the extent comparable benefits are actually received during the two year period following termination, and any such benefits actually received by the Executive shall be reported to the Company.

(e) Voluntary Termination during the Term of Employment. During the Term of Employment, in the event of a termination of employment by the Executive on his own initiative, other than a termination due to death or Disability or a Constructive Termination without Cause, the Executive shall be entitled to the following benefits:

- (i) During the CEO Period,
  - (A) Base Salary through the date of the termination; and
  - (B) all outstanding options which are not then exercisable shall be forfeited; exercisable options shall remain exercisable until the earlier of the thirtieth day after the date of termination or the originally scheduled expiration date of the options unless the Committee determines otherwise.
- (ii) During the Leave of Absence Period:
  - (A) the Executive shall be entitled to retain an amount equal to one-half of all of the monthly base compensation payments received by the Executive prior to his termination during the Leave of Absence period; the Executive shall repay to the Company an amount equal to one-half of all of the monthly base compensation payments received by the Executive during the Leave of Absence period;
  - (B) the Executive shall be entitled to receive the Supplemental Pension Benefit, reduced in accordance with Section 8 of this Agreement to the extent such benefits commence prior to Age 60; and
  - (C) all outstanding options which are not then exercisable shall be forfeited; all exercisable options shall continue to become exercisable in accordance with their original schedules.
- (iii) During the Return to Employment Period,
  - (A) The Executive shall be entitled to retain an amount equal to one-half of the total Leave of Absence Compensation; the Executive shall repay to the Company an amount equal to one-half of the total Leave of Absence Compensation multiplied by a fraction the denominator of which is 24 and the numerator of which is the number of full or fractional calendar months remaining between the effective date of the Executive's termination of employment and the end of the Return to Employment Period;
  - (B) the Executive shall be entitled to receive the Supplemental Pension Benefit, reduced in accordance with Section 8 of this Agreement to the extent such benefits commence prior to Age 60; and

(C) all outstanding options which are not then exercisable shall be forfeited; all exercisable options shall continue to become exercisable in accordance with their original schedules.

A voluntary termination under this Section 11(e) shall be effective 30 calendar days after prior written notice is received by the Company, unless the Company elects to make it effective earlier, and shall not constitute a breach of this Agreement.

Any amounts required to be paid by the Executive to the Company pursuant to Subsections 11(e)(ii)(A) or 11(e)(iii)(A) above may be paid, at the election of the Executive at the time of his termination of employment, either

(a) in cash in a lump sum, payable on the effective date of the Executive's termination of employment, or

(b) in the form of a reduction in the annual Supplemental Pension Benefit payment payable pursuant to Section 8 of this Agreement, the amount of reduced Supplemental Pension Benefit to be determined as of the effective date of the Executive's termination of employment with the Company, using the 1983 US GATT (unisex) mortality table and an interest rate equal to the average yield of a 30-year treasury security for the month prior to the month in which the Executive's termination occurs, or in the event a 30-year treasury security is unavailable at such time, then the next longest long-term U.S. treasury security available.

(f) Consequences to Stock Options of Death Following Termination of Employment. In the event the Executive dies following termination of employment at a time when he has entitlements under outstanding stock options, his estate or other beneficiary shall have the same entitlements as the Executive had in respect of such stock options.

(g) Consequences of a Change in Control.

(i) If, during the Effective Period following a Change in Control, the Executive's employment is terminated by the Company without Cause, other than due to Disability or death, or there is a Constructive Termination without Cause, the Executive shall receive the benefits provided in Section 11(d) above, as well as in Section 11(g)(ii) below.

(ii) In the event that any amount or benefit (collectively, the "Covered Payments") paid or distributed to the Executive by the Company or any Affiliate incurs an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any similar tax that may hereafter be imposed ("Excise Tax"), the Company shall pay to the Executive at the time specified below, the Tax Reimbursement Payment. The Tax Reimbursement Payment is defined as an amount which, after imposition of all income, employment and excise taxes thereon, is equal to the Excise Tax on the Covered Payments. The determination of whether Covered Payments are subject to Excise Tax and, if so, the amount of the Tax Reimbursement Payment to be paid to the Executive shall be made by an independent auditor (the "Auditor") jointly selected by the Company and the Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm which has not, during the two years preceding the date of its selection, acted in any way on behalf

of the Company. If the Executive and the Company cannot agree on the firm to serve as the Auditor, then the Executive and the Company shall each select an accounting firm and those two firms shall jointly select the accounting firm to serve as the Auditor. The portion of the Tax Reimbursement Payment attributable to a Covered Payment shall be paid to the Executive by the Company prior to the date that the corresponding Excise Tax payment is due to be paid by the Executive (through withholding or otherwise).

(h) Other Termination Benefits. In the case of any of the foregoing terminations, the Executive or his estate shall also be entitled to:

(i) the balance of any incentive awards due for performance periods which have been completed, but which have not yet been paid;

(ii) any expense reimbursements due the Executive; and

(iii) other benefits, if any, in accordance with applicable plans and programs of the Company, excluding any severance plan or program or notice of termination policy now or hereinafter in effect at the Company or any of its Affiliates.

(i) No Mitigation; No Offset. In the event of any termination of employment under this Section 11, the Executive shall be under no obligation to seek other employment and, except as provided by Sections 5, 11(b)(i)(F), 11(d)(i)(F), 11(d)(ii)(D), and 11(e) there shall be no offset against amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain or on account of any claim the Company or any Affiliate of the Company might have against him.

(j) Nature of Payments. Any amounts due under this Section 11 are in the nature of severance payments considered to be reasonable by the Company and the Parent and are not in the nature of a penalty.

12. Confidential Information. The Executive acknowledges that certain letter agreement dated September 18, 1997 (the "Confidentiality Agreement") between the Company and the Executive regarding the protection of confidential information of the Company and its Affiliates. The terms and conditions of the Confidentiality Agreement remain in full force and effect and are incorporated by reference herein. Any breach of the Confidentiality Agreement by the Executive shall constitute a breach of this Agreement, subject to the rights and remedies of the Company and its Affiliates as provided by Section 15 of this Agreement.

13. Noncompetition. The Executive agrees that he will not, at any time during the Term of Employment and for a period of twenty-four months after any voluntary or involuntary termination of the Executive's employment with the Company (together, the "Restricted Period"), directly or indirectly, acting with others or alone, manage, operate or control, engage or become interested in as an owner (other than as an owner of less than 5% of the stock of a publicly owned company), stockholder, partner, director, officer, employee (in an executive capacity), consultant or otherwise (the "Executive's Employment") in any business that is a "Competitive Business" with the Company or any of its Affiliates in any geographic location in which the Company or any of its Affiliates conducts its business. For purposes of this Section, a

business operation shall be considered a "Competitive Business" with the Company or its Affiliates if such business operation (a) provides services in the executive search business during the Restrictive Period or (b) provides any product or service competitive with any product or service provided by the Company or any of its Affiliates, the sales of which amount to 5% or more of the total gross revenues of the Company and its Affiliates at the time of the Executive's Employment.

14. Nonsolicitation. For the twenty-four month period following the Term of Employment, the Executive shall not directly or indirectly solicit or induce or attempt to solicit or induce any employee, current or future, of the Company or any of its Affiliates to terminate employment with the Company or any of its Affiliates for any reason, or hire any individual who was an employee of the Company or any of its Affiliates within one (1) year of being hired by the Executive, except for those individuals released or terminated by the Company or any of its Affiliates, and shall not solicit any client or customer of the Company or any of its Affiliates as of the date of termination of the Executive's employment with the Company, for purposes of doing business with any business or operation which is a "Competitive Business" of the Company or any of its Affiliates as defined in Section 13 above.

15. Rights and Remedies Upon Breach. If the Executive breaches, or threatens to commit a breach of, any of the provisions contained in Sections 12,13 or 14 of this Agreement (the "Restrictive Covenants"), the Company and its Affiliates will have the following rights and remedies, each of which rights and remedies will be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company and its Affiliates under law or in equity:

(a) Injunctive Relief and Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and its Affiliates and that monetary damages would not provide an adequate remedy.

(b) Accounting. The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by the Executive as the result of any action constituting a breach of the Restrictive Covenants.

(c) Cessation of Severance Benefits. The right and remedy to cease any further severance, benefit or other compensation payments under this Agreement to the Executive or his estate or beneficiary from and after the commencement of such breach by the Executive, including without limitation the Supplemental Pension, regardless of whether the Restrictive Covenants are found by a court of competent jurisdiction to be enforceable or not.

The Executive hereby acknowledges and agrees that the Restrictive Covenants are reasonable and valid in duration, geographic scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants will not thereby be affected and will be given full effect without regard to the invalid portions. In the event the Executive breaches the Restrictive Covenants during the



periods of time in which the Restrictive Covenants are enforceable, then, in such event, such violation shall toll the running of such time period from the date of such violation until such violation shall cease.

16. Arbitration of Disputes and Reimbursement of Legal Costs.

Except as otherwise provided in Section 16 hereof, the Parties agree that any dispute, claim or controversy based on common law, equity, or any federal, state or local statute, ordinance, or regulation (other than workers' compensation claims) arising out of or relating in any way to the Executive's employment, the terms, benefits, and conditions of employment, or concerning this Agreement or its termination and any resulting termination of employment, including whether such dispute is arbitrable, shall be settled by arbitration. This agreement to arbitrate includes but is not limited to all claims for any form of illegal discrimination, improper or unfair treatment or dismissal, and all tort claims. The Executive shall still have a right to file a discrimination charge with a federal or state agency, but the final resolution of any discrimination claim shall be submitted to arbitration instead of a court or jury. Subject to the following provisions, the arbitration shall be conducted in accordance with the rules of the American Arbitration Association (the "Association") then in effect in Chicago, Illinois by three arbitrators. One of the arbitrators shall be appointed by the Company, one shall be appointed by the Executive, and the third shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the third arbitrator within 30 days of the appointment of the second arbitrator, then the third arbitrator shall be appointed by the Association. The decision of the arbitrators, including determination of the amount of any damages suffered, shall be final, nonappealable and binding on all Parties, their heirs, executors, administrators, successors and assigns, and judgment may be entered thereon by either Party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrators shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement. If the Executive prevails on any material issue which is the subject of such arbitration or lawsuit, the Company shall be responsible for all of the fees of the American Arbitration Association and the arbitrators and any expenses relating to the conduct of the arbitration (including the Company's and the Executive's reasonable attorneys' fees and expenses). Otherwise, each party shall be responsible for its own expenses relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses) and shall share the fees of the American Arbitration Association equally. Pending the resolution of the arbitration, all payments and benefits otherwise due to the Executive hereunder shall continue.

Notwithstanding the provisions of this Section, either Party may seek injunctive relief in a court of competent jurisdiction, whether or not the case is then pending before the panel of arbitrators. Following the court's determination of the injunction issue, the case shall continue in arbitration as provided herein.

## 17. Indemnification.

(a) The Company and the Parent agree that if the Executive is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or any of its Affiliates or is or was serving at the request of the Company or the Parent as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is the Executive's alleged action in an official capacity while serving as a director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent legally permitted or authorized by the certificate of incorporation or bylaws of the Parent or the Company or resolutions of the Board of Directors of the Parent or the Company or, if greater, by the laws of the State of Delaware, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or other liabilities or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if he has ceased to be a director, member, employee or agent of the Company or any of its Affiliates and shall inure to the benefit of the Executive's heirs, executors and administrators. The Company shall advance to the Executive all reasonable costs and expenses incurred by him in connection with a Proceeding within 20 calendar days after receipt by the Company of a written request for such advance. Such request shall include an undertaking by the Executive to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

(b) Neither the failure of the Parent or the Company (including their board of directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by the Executive under Section 17(a) above that indemnification of the Executive is proper because he has met the applicable standard of conduct, nor a determination by the Parent or the Company (including their board of directors, independent legal counsel or stockholders) that the Executive has not met such applicable standard of conduct, shall create a presumption that the Executive has not met the applicable standard of conduct.

(c) The Company and Parent agree to continue and maintain a directors' and officers' liability insurance policy covering the Executive to the extent the Company and Parent provide such coverage for its other executive officers.

18. Assignability; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of the Executive) and assigns. Rights or obligations of the Parent or the Company under this Agreement may be assigned or transferred by the Parent or the Company pursuant to a merger or consolidation in which the Parent or the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Parent or the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Parent or the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Parent and the Company, as contained in this Agreement, either contractually or as a matter of law. The

Parent and the Company further agree that, in the event of a sale of assets or liquidation as described in the preceding sentence, they shall take whatever action they reasonably can in order to cause such assignee or transferee to expressly assume the liabilities, obligations and duties of the Parent and the Company hereunder. No rights or obligations of the Executive under this Agreement may be assigned or transferred by the Executive other than his rights to compensation and benefits, which may be transferred only by will or operation of law.

19. Entire Agreement. This Agreement contains the entire understanding and agreement among the Parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, among the Parties with respect thereto.

20. Amendment or Waiver. No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and an authorized officer of the Company and the Parent. No waiver by any Party of any breach by any other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of the Company and the Parent, as the case may be.

21. Severability. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law so as to achieve the purposes of this Agreement.

22. Survivorship. Except as otherwise expressly set forth in this Agreement, the respective rights and obligations of the Parties hereunder shall survive any termination of the Executive's employment. This Agreement itself (as distinguished from the Executive's employment) may not be terminated by either Party without the written consent of the other Party. Upon the expiration of the term of the Agreement, the respective rights and obligations of the Parties shall survive such expiration to the extent necessary to carry out the intentions of the Parties as embodied in the rights (such as vested rights) and obligations of the Parties under this Agreement.

23. References. In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative.

24. Governing Law. This Agreement shall be governed in accordance with the laws of Illinois without reference to principles of conflict of laws.

25. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed given when (a) delivered personally, (b) delivered by certified or registered mail, postage prepaid, return receipt requested or (c) delivered by overnight courier (provided that a written acknowledgment of receipt is obtained by the overnight courier) to the Party concerned at the address indicated below or to such changed address as such Party may subsequently give such notice of:

If to the Company or the Parent: Heidrick and Struggles, Inc.  
Sears Tower  
233 South Wacker Drive  
Suite 4200  
Chicago, Illinois 60606-6303  
Attention: Chief Legal Counsel

If to the Executive: Mr. Patrick S. Pittard  
20 Cates Ridge  
Atlanta, GA 30327

26 Headings. The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

27 Counterparts. This Agreement may be executed in two or more counterparts.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Heidrick and Struggles, Inc.

By: /s / Richard D. Nelson  
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Richard D. Nelson  
Secretary

Heidrick and Struggles International, Inc.

By: /s / Richard D. Nelson  
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Richard D. Nelson  
Secretary

/s / Patrick S. Pittard  
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Patrick S. Pittard

RESOLVED, that Subsection (ii) of Section (l) of Article 2 of the Heidrick & Struggles GlobalShare Programs II and Subsection (ii) of Section (m) of Article 2 of the Heidrick & Struggles GlobalShare Program I are hereby amended to read as follows:

"(l)(ii) as of any date on or after an Initial Public Offering, the value of a Share as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the value of a Share as of any date on or after an Initial Public Offering shall be the arithmetic mean of the high and low prices of the Shares as reported on such date on the Composite Tape of the principal national securities exchange on which such Shares are listed or admitted to trading, or, if no Composite Tape exists for such national securities exchange on such date, then on the principal national securities exchange on which such Shares are listed or admitted to trading, or, if the Shares are not listed or admitted on a national securities exchange, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or, if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith. If no sale of Shares shall have been reported on such Composite Tape or such national securities exchange on such date or quoted on the National Association of Securities Dealer Automated Quotation System on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used."

"(m)(ii) as of any date on or after an Initial Public Offering, the value of a Share as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the value of a Share as of any date on or after an Initial Public Offering shall be the arithmetic mean of the high and low prices of the Shares as reported on such date on the Composite Tape of the principal national securities exchange on which such Shares are listed or admitted to trading, or, if no Composite Tape exists for such national securities exchange on such date, then on the principal national securities exchange on

which such Shares are listed or admitted to trading, or, if the Shares are not listed or admitted on a

national securities exchange, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or, if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith. If no sale of Shares shall have been reported on such Composite Tape or such national securities exchange on such date or quoted on the National Association of Securities Dealer Automated Quotation System on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used."

RESOLVED, that Article 17 of the Heidrick & Struggles GlobalShare Programs I and II is hereby amended to read as follows:

"The Program shall be governed by and construed in accordance with the laws of the State of Illinois applicable to contracts made and to be performed in the State of Illinois."

GlobalShare Program Amendment  
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RESOLVED, that Article 3 of the 1998 Heidrick & Struggles GlobalShare Program II is hereby amended in its entirety to read as follows:

3. Shares Subject to the Program

The total number of Shares authorized or reserved for issuance upon the exercise or issuance of all Awards under the Program and the 1998 Heidrick & Struggles GlobalShare Program I ("Program I") (herein collectively referred to as the "Overall Program"), subject to adjustments upon certain events described in Article 11 of the Program, shall not exceed an aggregate amount equal to thirty percent (30%) of the highest number of Shares which are issued and outstanding from time to time during the term of the Overall Program, provided, however, that in no event will the sum of the total number of Shares authorized or reserved for issuance upon the exercise or issuance of all Awards granted under the Overall Program plus the total amount of the Company's issued and outstanding Shares exceed the number of Shares authorized for issuance under the Company's Amended and Restated Certificate of Incorporation. The aggregate maximum number of Shares for which Awards may be granted under the Overall Program during a calendar year to any Participant in either the Program or Program I shall be 275,000. The Shares may consist, in whole or in part, of authorized and unissued Shares or treasury Shares or Shares which are authorized and issued and have been acquired by or on behalf of the Company or the Overall Program and are available for Awards under the Overall Program. The issuance of Shares or the payment of cash upon the exercise of an Award shall reduce the total number of Shares available under the Overall Program, as applicable. Shares which are subject to Awards which are forfeited, terminated, or expire unexercised may be granted again under the Overall Program.

GlobalShare Program Amendment  
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RESOLVED, that Article 3 of the 1998 Heidrick & Struggles GlobalShare Program I is hereby amended in its entirety to read as follows:

3. Shares Subject to the Program

The total number of Shares authorized or reserved for issuance upon the exercise or issuance of all Awards under the Program and the 1998 Heidrick & Struggles GlobalShare Program II ("Program II") (herein collectively referred to as the "Overall Program"), subject to adjustments upon certain events described in Article 11 of the Program, shall not exceed an aggregate amount equal to thirty percent (30%) of the highest number of Shares which are issued and outstanding from time to time during the term of the Overall Program, provided, however, that in no event will the sum of the total number of Shares authorized or reserved for issuance upon the exercise or issuance of all Awards granted under the Overall Program plus the total amount of the Company's issued and outstanding Shares exceed the number of Shares authorized for issuance under the Company's Amended and Restated Certificate of Incorporation. The aggregate maximum number of Shares for which Awards may be granted under the Overall Program during a calendar year to any Participant in either the Program or Program II shall be 275,000. The Shares may consist, in whole or in part, of authorized and unissued Shares or treasury Shares or Shares which are authorized and issued and have been acquired by or on behalf of the Company or the Overall Program and are available for Awards under the Overall Program. The issuance of Shares or the payment of cash upon the exercise of an Award shall reduce the total number of Shares available under the Overall Program, as applicable. Shares which are subject to Awards which are forfeited, terminated, or expire unexercised may be granted again under the Overall Program.



GLOBALSHARE PROGRAM AMENDMENT

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Resolved, that Article 4 of the 1998 Heidrick & Struggles GlobalShare Program I shall be amended to delete the last full sentence of Article 4 and replace it with the following sentence:

"The Board, by specific resolution, may constitute the chief executive officer as a committee of one which shall have the authority to grant Awards of up to an aggregate of 200,000 Shares in each calendar year to each Participant in the Program or in Program II who is not subject to the rules promulgated under Section 16 of the Act or Section 162(m) of the Code (or any successor section of either); provided, however, that such chief executive officer shall notify the Committee of any such grants made pursuant to this Section 4."

Resolved, that Article 4 of the 1998 Heidrick & Struggles GlobalShare Program II shall be amended to delete the last full sentence of Article 4 and replace it with the following sentence:

"The Board, by specific resolution, may constitute the chief executive officer as a committee of one which shall have the authority to grant Awards of up to an aggregate of 200,000 Shares in each calendar year to each Participant in the Program or in Program I who is not subject to the rules promulgated under Section 16 of the Act or Section 162(m) of the Code (or any successor section of either); provided, however, that such chief executive officer shall notify the Committee of any such grants made pursuant to this Section 4."



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HEIDRICK & STRUGGLES INTERNATIONAL, INC. FORM 10-Q QUARTERLY REPORT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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