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

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 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 X 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 November 3, 2000 was 19,348,008 (excluding 439,990 of restricted stock units).

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	September 30, 2000	December 31, 1999
	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 200,016	$ 76,848
Accounts receivable, net of allowance for doubtful accounts	126,801	83,162
Other receivables	7,837	4,241
Prepaid expenses	9,534	7,583
Deferred income taxes	22,771	19,881
Total current assets	366,959	191,715
Property and equipment, net	52,605	52,352
Other assets:		
Cash and investments designated for nonqualified retirement plans	15,129	32,702
Investments and other assets	21,658	11,772
Deferred income taxes	2,057	376
Goodwill and other intangibles, net	63,536	45,832
Total other assets	102,380	90,682
Total assets	$ 521,944	$ 334,749

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	September 30, 2000	December 31, 1999
	(unaudited)	
Current liabilities:		
Current maturities of long-term debt	$ -	$ 3,039
Accounts payable	9,091	8,052
Accrued expenses-		
Salaries and employee benefits	190,967	100,762
Other	26,186	14,964
Income taxes payable	9,337	10,891
Total current liabilities	235,581	137,708
Liability for nonqualified retirement plans	17,456	29,161
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, no shares issued at September 30, 2000 and December 31, 1999	-	-
Common stock, $.01 par value, 100,000,000 shares authorized, of which 19,723,641 and 16,663,151 shares were issued and outstanding at September 30, 2000 and December 31, 1999, respectively	197	167
Treasury stock at cost, 9,243 shares at September 30, 2000	(376)	-
Additional paid-in capital	230,270	124,363
Retained earnings	48,530	37,445
Cumulative foreign currency translation adjustment	(4,749)	(591)
Unrealized gain on available-for-sale investments (net of tax)	748	6,496
Deferred compensation	(5,713)	-
Total stockholders' equity	268,907	167,880
Total liabilities and stockholders' equity	$ 521,944	$ 334,749

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenue	$148,081	$114,936	$446,433	$302,583
Operating expenses:				
Salaries and employee benefits:				
Salaries and employee benefits	98,471	76,303	299,134	201,847
Nonrecurring compensation charges	12,222	2,028	12,222	14,448
General and administrative expenses:				
General and administrative expenses	34,983	26,686	115,726	75,121
Nonrecurring general and administrative charges	1,753	772	1,753	772
Total operating expenses	147,429	105,789	428,835	292,188
Operating income	652	9,147	17,598	10,395
Non-operating income (expense):				
Interest income	2,372	1,343	5,722	1,939
Interest expense	(40)	(361)	(167)	(1,298)
Minority interest	51	-	208	-
Other, net	2,467	281	7,186	357
Net non-operating income	4,850	1,263	12,949	998
Equity in net loss of affiliate	-	-	-	(630)
Income before income taxes	5,502	10,410	30,547	10,763
Provision for income taxes	7,930	4,983	19,462	10,635
Net income (loss)	$ (2,428)	$ 5,427	$ 11,085	$ 128
Basic earnings (loss) per common share	$ (0.13)	$ 0.33	$ 0.59	$ 0.01
Basic weighted average common shares outstanding	19,277	16,533	18,856	12,624
Diluted earnings (loss) per common share	$ (0.13)	$ 0.32	$ 0.55	$ 0.01
Diluted weighted average common shares outstanding	19,277	16,782	20,267	12,717
Net income (loss)	$ (2,428)	$ 5,427	$ 11,085	$ 128
Other comprehensive income, before tax:				
Foreign currency translation adjustment	(4,512)	(914)	(7,295)	(1,455)
Unrealized gain (loss) on available-for-sale investments	(8,443)	(1,468)	(9,950)	4,892
Total other comprehensive income, before tax	(12,955)	(2,382)	(17,245)	3,437
Income tax expense (benefit) related to items of other comprehensive income	(5,474)	(1,027)	(7,339)	1,451
Other comprehensive income (loss), net of tax	(7,481)	(1,355)	(9,906)	1,986
Comprehensive income (loss)	$ (9,909)	$ 4,072	$ 1,179	$ 2,114

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

HEIDRICK & 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 Comprehensive Income (Loss)	Deferred Compensation	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	-	76,160	-	-	-	76,185
Issuances of restricted stock	4	-	19,389	-	-	(6,285)	13,108
Amortization of deferred compensation	-	-	-	-	-	539	539
Forfeitures of restricted stock	-	(376)	-	-	-	33	(343)
Exercise of options	-	-	528	-	-	-	528
Gain on sale of subsidiary stock	-	-	2,711	-	-	-	2,711
Subsidiary stock repurchase and cancellation of options	-	-	1,903	-	-	-	1,903
Net income	-	-	-	11,085	-	-	11,085
Unrealized loss on available-for-sale investments	-	-	-	-	(5,748)	-	(5,748)
Foreign currency translation adjustment	-	-	-	-	(4,158)	-	(4,158)
Balance as of September 30, 2000	$197	$(376)	$230,270	$48,530	$(4,001)	$(5,713)	$268,907

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	Nine Months Ended September 30,	
	2000	1999
Cash flows from operating activities:		
Net income	$ 11,085	$ 128
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,032	7,353
Gain on sale of securities	(7,313)	(417)
Deferred income taxes	(1,597)	(22)
Equity in net loss of affiliate	-	630
Minority interest in loss of consolidated subsidiary	(208)	-
Non-cash stock-based compensation	3,237	252
Nonrecurring charges	13,975	15,220
Changes in assets and liabilities:		
Trade and other receivables	(49,845)	(23,523)
Accounts payable	(594)	1,353
Accrued expenses	100,170	66,548
Income taxes payable	(1,368)	2,006
Other, net	(1,102)	3,408
Net cash provided by operating activities	80,472	72,936
Cash flows from investing activities:		
Acquisitions	(15,757)	-
Purchases of property and equipment	(13,817)	(16,622)
Purchases of long-term investments	(10,893)	-
Proceeds from sale of securities, net	7,313	7,232
Cash acquired in merger transaction with HSI	-	8,166
Other, net	2,028	(500)
Net cash used in investing activities	(31,126)	(1,724)
Cash flows from financing activities:		
Proceeds from sale of common stock	76,185	61,334
Proceeds from sale of subsidiary stock	2,919	-
Proceeds from stock options exercised	528	-
Proceeds from debt	-	17,700
Payments on debt	(1,822)	(51,067)
Net cash provided by financing activities	77,810	27,967
Effect of foreign currency exchange rates on cash and cash equivalents	(3,988)	(1,171)
Net increase in cash and cash equivalents	123,168	98,008
Cash and cash equivalents:		
Beginning of period	76,848	11,521
End of period	$200,016	$109,529

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

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 September 30, 2000, and December 31, 1999, the results of operations for the three months and nine months ended September 30, 2000 and 1999, stockholders' equity for the nine months ended September 30, 2000, and cash flows for the nine months ended September 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 nine months ended September 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.

3. Nonrecurring Charge and Merger Costs

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 nine months ended September 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.

In connection with the acquisition of Sullivan, the Company incurred merger related costs of $2.8 million during the three months ended September 30, 1999. The merger costs consist of a $2.0 million non-cash compensation charge for accelerated vesting of an employee equity ownership program in place at Sullivan and $0.8 million of general and administrative transaction related costs, including legal, accounting and advisory fees.

In the third quarter of 2000, the Company decided to retain proprietary control of LeadersOnline, Inc., ("LeadersOnline"), and its innovations in online recruiting. As a result, LeadersOnline withdrew its registration statement with the Securities and Exchange Commission relating to a proposed initial public offering of Class A common stock. In connection with the IPO withdrawal, the Company recorded nonrecurring charges in the third quarter. These included a non-cash compensation charge of $12.2 million, which represents the remainder of a $14.9 million non-cash compensation charge related to the issuance of options by LeadersOnline at a price below the deemed fair market value for accounting purposes at the time of issuance (see Note 9). The difference of $2.7 million was recorded as a recurring charge over the first three quarters of 2000. The resulting amount of $14.9 million was recorded to additional paid in capital. Also, a $1.8 million charge was recorded for the write-off of expenses related to planning the initial public offering.

In addition, there were two types of payments that were charged to additional paid in capital. These included $10.0 million to compensate management and employees for the value of their LeadersOnline options and $3.1 million to repurchase LeadersOnline stock from Company employees and VerticalNet, Inc. (see Note 10).

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 September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Basic EPS				
Income (loss) available to common stockholders	$(2,428)	$ 5,427	$11,085	$ 128
Weighted average common shares outstanding	19,277	16,533	18,856	12,624
Basic EPS	$ (0.13)	$ 0.33	$ 0.59	$ 0.01
Diluted EPS				
Income (loss) available to common stockholders	$(2,428)	$ 5,427	$11,085	$ 128
Weighted average common shares outstanding	19,277	16,533	18,856	12,624
Dilutive common shares	-	249	1,411	93
Weighted average diluted common shares outstanding	19,277	16,782	20,267	12,717
Diluted EPS	$ (0.13)	$ 0.32	$ 0.55	$ 0.01

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 consists of the United States and Other (Canada and Latin America). The International segment consists of Europe (which includes Africa and the Middle East) and Asia Pacific.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenue:				
Americas				
United States	$ 87,514	$ 68,500	$259,952	$193,455
Other	5,221	4,928	16,234	12,209
International				
Europe	41,068	35,113	129,060	81,410
Asia Pacific	8,536	5,782	26,134	14,746
Total Executive Search	142,339	114,323	431,380	301,820
LeadersOnline	5,742	613	15,053	763
Total	$148,081	$114,936	$446,433	$302,583
Operating income (loss):				
Americas				
United States	$17,909	$ 12,104	$ 46,184	$ 31,318
Other	784	745	2,074	1,699
International				
Europe	4,123	3,402	12,807	(6,172)
Asia Pacific	1,313	1,144	4,304	2,036
Total Executive Search	24,129	17,395	65,369	28,881
LeadersOnline	(16,786)	(1,242)	(25,305)	(3,881)
Corporate	(6,691)	(7,006)	(22,466)	(14,605)
Total	$ 652	$ 9,147	$ 17,598	$ 10,395

	As of September 30, 2000	As of December 31, 1999
Identifiable Assets:		
Americas		
United States	$143,562	$107,698
Other	13,883	10,104
International		
Europe	128,160	102,398
Asia Pacific	22,598	11,958
Total Executive Search	308,203	232,158
LeadersOnline	7,990	4,150
Corporate	205,751	98,441
Total	$521,944	$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, LeadersOnline filed a registration statement with the Securities and Exchange Commission relating to a proposed initial public offering of its Class A common stock. On September 21, 2000, the Company decided to retain proprietary control of LeadersOnline and its innovations in online recruiting and therefore withdrew its proposed initial public offering.

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 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. During the third quarter of 2000, the Company terminated the options and sold the underlying security. The Company's realized gain on these shares for the nine months ended September 30, 2000 was $2.8 million.

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 $10.0 million in SVIC's first round of financing and will account for this investment using the cost method.

9. Compensation Charge

During the nine months ended September 30, 2000, LeadersOnline 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 $14.9 million was to be amortized over the vesting period of the options, which was approximately four years. The amortization expense for the nine months ended September 30, 2000, is $2.7 million and is included in salaries and employee benefits on the Consolidated Statements of Income and Comprehensive Income. As a result of the decision to retain proprietary control of LeadersOnline, these options were canceled and the Company decided to compensate option holders for the cancellation of these options (see Note 3).

10. Sale of Subsidiary Stock

During the second quarter of 2000, LeadersOnline 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 LeadersOnline. The Company's ownership interest in LeadersOnline 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. As a result of the decision to retain proprietary control of LeadersOnline, the Company decided to repurchase these shares (see Note 3).

11. Subsequent Event

On October 26, 2000, the Company announced that it entered into an alliance with, and invested $10.0 million in ETF Group, a global venture capital firm that helps emerging companies expand into international markets. As part of the agreement, the Company will be the preferred global recruiter of senior-level executives for ETF Group's portfolio companies.

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 level search and consulting 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 wholly owned Internet-based search subsidiary, LeadersOnline, Inc., ("LeadersOnline"), we target the recruitment market for mid-level executives and professionals. We also provide complimentary human capital management services, including management evaluation and interim management.

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. 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 75 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 nine months ended September 30, 2000 and 1999:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries and employee benefits:				
Salaries and employee benefits	66.5	66.4	67.0	66.7
Nonrecurring compensation charges	8.3	1.8	2.7	4.8
General and administrative expenses:				
General and administrative expenses	23.6	23.2	25.9	24.8
Nonrecurring general and administrative expenses	1.2	0.7	0.4	0.3
Total operating expenses	99.6	92.1	96.0	96.6
Operating income	0.4	7.9	4.0	3.4
Non-operating income (expense):				
Interest income	1.6	1.2	1.3	0.6
Interest expense	-	(0.3)	-	(0.4)
Minority interest	-	-	-	-
Other, net	1.7	0.2	1.6	0.1
Net non-operating income	3.3	1.1	2.9	0.3
Equity in net loss of affiliate	-	-	-	(0.2)
Income before income taxes	3.7	9.0	6.9	3.5
Provision for income taxes	5.4	4.3	4.4	3.5
Net income (loss)	(1.7)%	4.7%	2.5%	0.0%

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 consists of the United States and Other (Canada and Latin America). The International segment consists of Europe (which includes Africa and the Middle East) and Asia Pacific.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenue:				
Americas				
United States	$87,514	$68,500	$259,952	$193,455
Other	5,221	4,928	16,234	12,209
International				
Europe	41,068	35,113	129,060	81,410
Asia Pacific	8,536	5,782	26,134	14,746
Total Executive Search	142,339	114,323	431,380	301,820
LeadersOnline	5,742	613	15,053	763
Total	$148,081	$114,936	$446,433	$302,583
Operating income (loss):				
Americas				
United States	$ 17,909	$ 12,104	$ 46,184	$ 31,318
Other	784	745	2,074	1,699
International				
Europe	4,123	3,402	12,807	(6,172)
Asia Pacific	1,313	1,144	4,304	2,036
Total Executive Search	24,129	17,395	65,369	28,881
LeadersOnline	(16,786)	(1,242)	(25,305)	(3,881)
Corporate	(6,691)	(7,006)	(22,466)	(14,605)
Total	$ 652	$ 9,147	$ 17,598	$ 10,395

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

Revenue. Our revenue increased $33.2 million, or 28.8%, to $148.1 million for the three months ended September 30, 2000 from $114.9 million for the third quarter 1999. This increase was due to continued strong demand for our executive search services across a number of industries and disciplines, especially the financial services, professional services and consumer practice groups, 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.

We experienced revenue growth in all of our geographic segments during the 2000 third quarter. In the United States, our revenue increased $19.0 million, or 27.8%, to $87.5 million in the third quarter 2000 from $68.5 million in the third quarter 1999, with particular strength in the financial services, consumer and professional services practice groups. In the Americas-Other segment, revenue rose 5.9% to $5.2 million in the third quarter 2000 from $4.9 million in the 1999 comparable period primarily due to the growth of our technology practice in Latin America. In Europe, our revenue increased $6.0 million, or 17.0%, to $41.1 million from $35.1 million in last year's third quarter, due to strength in the financial services and professional services practice groups. Excluding the negative effect of foreign currency translations into U.S. dollars, revenue grew 34% in Europe. In Asia Pacific, revenue increased 47.6% to $8.5 million from $5.8 million in the third quarter 1999. The financial services and technology practice groups drove the growth in Asia Pacific. LeadersOnline generated $5.7 million of revenue in the third quarter of 2000 compared to $613,000 of revenue in the third quarter 1999 due to increased demand for its services.

Salaries and employee benefits. Our salaries and employee benefits increased $22.2 million, or 29.1%, to $98.5 million for the third quarter 2000 from $76.3 million in the third quarter 1999. As a percentage of revenue, salaries and employee benefits increased slightly to 66.5% in the third quarter 2000 from 66.4% in the third quarter 1999. This increase was primarily due to a significant increase in new hires in the third quarter 2000, partially offset by an adjustment to bonuses to reflect our revenue growth rate.

Nonrecurring compensation charges. During the third quarter of 2000, we incurred a nonrecurring compensation charge of $12.2 million as a result of the decision to retain proprietary control of LeadersOnline. This charge represented the remainder of the non-cash compensation charge related to the issuance of options by LeadersOnline, at a price below the deemed fair market value for accounting purposes, at the time of issuance. During the third quarter of 1999, we incurred compensation-related merger costs of $2.0 million arising from the merger with Sullivan, which consisted of a non-cash charge for accelerated vesting of an employee equity ownership program in place at Sullivan. See Note 3 in the Notes to Consolidated Financial Statements.

General and administrative expenses. Our general and administrative expenses increased $8.3 million, or 31.1%, to $35.0 million for the third quarter 2000 from $26.7 million in the third quarter 1999. As a percentage of revenue, general and administrative expenses increased to 23.6% in the third quarter 2000 from 23.2% in the third quarter 1999, primarily due to investment spending at LeadersOnline and higher depreciation expense as we continued to invest in the growth of our company.

Nonrecurring general and administrative charges. During the third quarter of 2000, we incurred a $1.8 million nonrecurring general and administrative charge due to the write-off of expenses related to the planning of LeadersOnline's initial public offering. During the third quarter of 1999, we incurred general and administrative related merger costs of $772,000 arising from the merger with Sullivan. This consisted of transaction-related costs including legal, accounting and advisory fees. See Note 3 in the Notes to Consolidated Financial Statements.

Net non-operating income. Our net non-operating income increased $3.6 million or 284.0%, to $4.9 million for the third quarter 2000 from $1.3 million in the third quarter 1999. This increase was primarily due to a $2.7 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 a higher cash balance due to the investment of the net proceeds received from our follow-on public offering in February 2000 (See Note 6 in the Notes to Consolidated Financial Statements), and a decrease in interest expense due to a lower debt balance.

Nine Months Ended September 30, 2000 Compared to the Nine Months Ended September 30, 1999

Revenue. Our revenue increased $143.8 million, or 47.5%, to $446.4 million for the nine months ended September 30, 2000 from $302.6 million in 1999. The increase was due to several factors. Continued strong demand for our services across a number of industries and disciplines, especially the financial services, technology and consumer practice groups, 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 Merger that occurred on February 26, 1999. As a result of the Merger, the full nine months of HSI revenue is included in the nine months ended September 30, 2000, whereas only approximately seven months of HSI revenue is included in the nine months ended September 30, 1999. Excluding HSI from both periods, revenue increased 43.5%.

We experienced significant revenue growth in all of our geographic segments during the nine months ended September 30, 2000. In the United States, our revenue increased $66.5 million, or 34.4%, to $260.0 million for the nine months ended September 30, 2000 from $193.5 million in 1999, with particular strength in the financial services, technology and professional services practice groups. In the Americas-Other segment, revenue rose 33.0% to $16.2 million for the nine months ended September 30, 2000 from $12.2 million in the 1999 comparable period, primarily due to the growth of our technology practice in Latin America. In Europe, our revenue for the nine months ended September 30, 2000 increased $47.7 million, or 58.5%, to $129.1 million from $81.4 million in last year's comparable period, due primarily to an increased number of searches on a comparable basis, with particular strength in the financial services practice group, and the Merger. Excluding the negative effect of foreign currency translations into U.S. dollars, revenue grew 77.4% in Europe. In Asia Pacific, revenue for the nine months ended September 30, 2000 increased 77.2% to $26.1 million from $14.7 million in the comparable period of 1999, primarily due to strong performance in the financial services and technology practice groups. LeadersOnline generated $15.1 million of revenue in the nine months ended September 30, 2000 compared to $763,000 of revenue in the nine months ended September 30, 1999 due to increased demand for its services.

Salaries and employee benefits. Our salaries and employee benefits increased $97.3 million, or 48.2%, to $299.1 million for the nine months ended September 30, 2000 from $201.8 million for the comparable period of 1999. As a percentage of revenue, salaries and employee benefits increased to 67.0% in the nine months ended September 30, 2000 from 66.7% in the nine months ended September 30, 1999, due primarily to LeadersOnline; its costs include a 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.

Nonrecurring compensation charges. During the third quarter of 2000, we incurred a nonrecurring compensation charge of $12.2 million as a result of the decision to retain proprietary control of LeadersOnline. This charge represented the remainder of the non-cash compensation charge related to the issuance of options by LeadersOnline, at a price below the deemed fair market value for accounting purposes, at the time of issuance. During the third quarter of 1999, we incurred compensation-related merger costs of $2.0 million arising from the merger with Sullivan, which consisted of a non-cash charge for accelerated vesting of an employee equity ownership program in place at Sullivan. During the first quarter of 1999, we incurred a $12.4 million nonrecurring compensation charge related to the modification of the terms of the Mulder and Partners acquisition agreement. See Note 3 in the Notes to Consolidated Financial Statements.

General and administrative expenses. Our general and administrative expenses increased $40.6 million, or 54.1%, to $115.7 million for the nine months ended September 30, 2000 from $75.1 million for the nine months ended September 30, 1999. As a percentage of revenue, general and administrative expenses increased to 25.9% in the first nine months of 2000 from 24.8% in the first nine months of 1999. This percentage increase was primarily due to investment spending for LeadersOnline and for other complementary growth initiatives. In addition, industry practice business development costs and depreciation expense were higher as we continued to invest in the growth of our company.

Nonrecurring general and administrative charges. During the third quarter of 2000, we incurred a $1.8 million nonrecurring general and administrative charge as a result of the write-off of expenses related to the planning of the initial public offering of LeadersOnline. During the third quarter of 1999, we incurred general and administrative related merger costs of $772,000 arising from the merger with Sullivan. This consisted of transaction-related costs including legal, accounting and advisory fees. See Note 3 in the Notes to Consolidated Financial Statements.

Net non-operating income (expense). Our net non-operating income increased $11.9 million to $12.9 million for the nine months ended September 30, 2000 from $998,000 for the nine months ended September 30, 1999. This increase was primarily due to a $7.3 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), 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 three months and nine months ended September 30, 2000 and 1999. The data gives effect to the Merger, the modification of the Mulder acquisition agreement, the merger with Sullivan and the decision to retain proprietary control of LeadersOnline, as if the transactions had occurred on January 1, 1999.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2000 (4)		1999 (3)		2000 (4)		1999 (1)(2)(3)	
Revenue	$148,081	100.0%	$114,936	100.0%	$446,433	100.0%	$322,568	100.0%
Operating expenses:								
Salaries and employee benefits	98,471	66.5	76,303	66.4	299,134	67.0	216,763	67.2
General and administrative expenses (5)	34,983	23.6	26,686	23.2	115,726	25.9	81,562	25.3
Total operating expenses	133,454	90.1	102,989	89.6	414,860	92.9	298,325	92.5
Operating income	$ 14,627	9.9%	$ 11,947	10.4%	$ 31,573	7.1%	$ 24,243	7.5%

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

	Nine Months Ended September 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 nine months ended September 30, 1999. See further discussion in Note 3 in the Notes to Consolidated Financial Statements. In addition, $0.9 million of deferred compensation expense related to the acquisition has been excluded for the nine months ended September 30, 1999.

(3) Excludes merger costs of $2.8 million for the three months and nine months ended September 30, 1999, arising from the merger of the Company and Sullivan on September 1, 1999. See Note 3 in the Notes to Consolidated Financial Statements.

(4) Excludes the $14.0 million nonrecurring charge for the three months and nine months ended September 30, 2000, as a result of the decision to retain proprietary control of LeadersOnline. See Note 3 in the Notes to Consolidated Financial Statements.

(5) Includes additional amortization related to acquired intangibles and goodwill arising from the Merger of $0.2 million for the nine months ended September 30, 1999.

The following table sets forth, for the three months and nine months ended September 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 consists of the United States and Other (Canada and Latin America). The International segment consists of Europe (which includes Africa and the Middle East) and Asia Pacific.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenue:				
Americas				
United States	$ 87,514	$ 68,500	$259,952	$193,455
Other	5,221	4,928	16,234	12,209
International				
Europe	41,068	35,113	129,060	101,395
Asia Pacific	8,536	5,782	26,134	14,746
Total Executive Search	142,339	114,323	431,380	321,805
LeadersOnline	5,742	613	15,053	763
Total	$148,081	$114,936	$446,433	$322,568
Operating income (loss):				
Americas				
United States	$ 17,909	$ 12,104	$ 46,184	$ 31,318
Other	784	745	2,074	1,699
International				
Europe	4,123	3,402	12,807	5,108
Asia Pacific	1,313	1,144	4,304	2,036
Total Executive Search	24,129	17,395	65,369	40,161
LeadersOnline	(2,811)	(1,242)	(11,330)	(3,881)
Corporate	(6,691)	(4,206)	(22,466)	(12,037)
Total	$ 14,627	$ 11,947	$ 31,573	$ 24,243

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

Revenue. Our revenue increased $33.2 million, or 28.8%, to $148.1 million for the three months ended September 30, 2000 from $114.9 million for the three months ended September 30, 1999. Excluding the negative effect of foreign currency translations into the U.S. dollar, revenue grew 34%. This increase was due to continued strong demand for our executive search services across a number of industries and disciplines, especially the financial services, professional services and consumer practice groups, 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 $22.2 million, or 29.1%, to $98.5 million for the three months ended September 30, 2000 from $76.3 million for the three months ended September 30, 1999. As a percentage of revenue, salaries and employee benefits increased slightly to 66.5% from 66.4%. This increase was primarily due to a significant increase in new hires in the third quarter 2000, partially offset by an adjustment to bonuses to reflect our revenue growth rate.

General and administrative expenses. Our general and administrative expenses increased $8.3 million, or 31.1%, to $35.0 million for the three months ended September 30, 2000 from $26.7 million for the comparable period of 1999. As a percentage of revenue, general and administrative expenses increased to 23.6% from 23.2%, primarily due to investment spending for LeadersOnline and higher depreciation expense 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, 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.

In the third quarter of 2000, we made a decision to retain proprietary control of LeadersOnline and its innovations in online recruiting. As a result, LeadersOnline withdrew its registration statement with the Securities and Exchange Commission relating to the proposed initial public offering of Class A common stock and will pay $3.1 million to repurchase the stock sold to VerticalNet, Inc. and to certain of our employees. In addition, we will pay $10.0 million to compensate option holders for the cancellation of their options. These payments are expected to be made in the fourth quarter of 2000. See Note 3 in the Notes to Consolidated Financial Statements.

We maintained cash and cash equivalents at September 30, 2000 and 1999 of $200.0 million and $109.5 million, respectively. For the nine months ended September 30, 2000, cash flows from operating activities contributed $80.5 million, reflecting net income and non-cash expenses for compensation, depreciation and amortization, the $14.0 million nonrecurring charges, as well as a decrease in working capital. For the nine months ended September 30, 1999, cash flows from operating activities contributed $72.9 million, reflecting net income and non-cash items such as depreciation and amortization, the $15.2 million nonrecurring charge and merger costs, as well as a decrease in working capital.

During the nine months ended September 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 September 1, 1999, we completed our merger with Sullivan, which provided for the exchange of all their outstanding stock for 964,000 shares of our common stock. The transaction was accounted for using the pooling of interests method of accounting. 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 nine months ended September 30, 2000, as a result of the sale of these securities was $7.3 million, net of consultants' bonuses and administrative costs of the program.

Capital expenditures were $13.8 million and $16.6 million for the nine months ended September 30, 2000 and 1999, respectively. These expenditures were primarily for office furniture and fixtures, leasehold improvements, technology development costs 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 $10.0 million in SVIC's first round of financing during the nine months ended September 30, 2000.

Cash flows provided by financing activities were $77.8 million for the nine months ended September 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. Cash flows provided by financing activities were $28.0 million for the nine months ended September 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. The line of credit will reduce by $10.0 million on December 31, 2000. This facility will terminate on December 31, 2001. There were no borrowings outstanding under this line of credit at September 30, 2000 and 1999. However, there is $549,000 of letters of credit which have been issued against the available credit in this facility. 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 September 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 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. We have 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. During the third quarter of 2000, we terminated the options and sold the underlying security. Our realized gain on these shares for the nine months ended September 30, 2000 was $2.8 million.

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.

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 (FIN) No. 44 "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 was adopted by us as of that date. Adoption of FIN 44 resulted in a change from fixed to variable accounting for stock options issued to individuals now considered to be non-employees under the Standard's definitions.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements" as amended by SAB 101A, which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. In June 2000, the SEC issued SAB 101B which deferred the effective date of SAB 101 until the last quarter of fiscal years beginning after December 15, 1999. We do not believe that the adoption of SAB 101 will have a material impact on our financial condition or results of operations.

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 other technology, 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

During the month of October 2000, we issued 63,403 shares of our common stock, in addition to cash, to certain of our employees and employees of LeadersOnline in exchange for LeadersOnline's options for performance related to LeadersOnline. We received no proceeds for such issuance of stock for which exemption from registration is provided by Rule 506 of Regulation D and Regulation S of the Securities Act of 1933.

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))
27	Financial Data Schedule

(b) Reports on Form 8-K

We did not file any reports under Item 5 of Form 8-K during the three months ended September 30, 2000.

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: November 14, 2000.

Heidrick & Struggles International, Inc.
(Registrant)

By:/s/ Donald M. Kilinski

Donald M. Kilinski
Chief Financial Officer

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