

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

-----  
FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
-----

HEIDRICK & STRUGGLES INTERNATIONAL, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION)	541612 (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	36-2681268 (I.R.S. EMPLOYER IDENTIFICATION NO.)
--	---	---

233 SOUTH WACKER DRIVE--SUITE 4200  
CHICAGO, ILLINOIS 60606-6303  
(312) 496-1200  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF  
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

-----  
C/O RICHARD D. NELSON  
HEIDRICK & STRUGGLES, INC.  
233 SOUTH WACKER DRIVE--SUITE 4200  
CHICAGO, ILLINOIS 60606-6303  
(312) 496-1200  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF AGENT FOR SERVICE)

-----  
COPIES OF ALL CORRESPONDENCE TO:  
VINCENT PAGANO, JR.  
SIMPSON THACHER & BARTLETT  
425 LEXINGTON AVENUE  
NEW YORK, NEW YORK 10017  
(212) 455-2000  
-----

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

-----  
CALCULATION OF REGISTRATION FEE  
-----

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
---	---	-------------------------------

-----  
Common Stock,  
without par value..... \$47,932,000 \$14,140  
-----

-----  
(1) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457(f)(2) under the Securities Act of 1933, using the book value of the common stock of Heidrick & Struggles, Inc., which was estimated to be \$47,932,000 as of June 30, 1998.  
-----

-----  
THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.  
-----  
-----

HEIDRICK & STRUGGLES INTERNATIONAL, INC.  
CROSS-REFERENCE SHEET

PURSUANT TO ITEM 501(B) OF REGULATION S-K

S-4 ITEM NUMBER AND CAPTION -----	PROSPECTUS -----
A. INFORMATION ABOUT THE TRANSACTION	
1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus....	Facing Page; Cross Reference Sheet; Outside Front Cover Page of Prospectus.
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Table of Contents.
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information.....	Joint Consent Statement/Prospectus Summary; Risk Factors.
4. Terms of the Transaction.....	Joint Consent Statement/Prospectus Summary; Risk Factors; Proposed Merger; Certain United States Federal Tax Consequences; Comparison of Stockholder Rights; Rights of Dissenting Stockholders.
5. Pro Forma Financial Information.....	Joint Consent Statement/Prospectus Summary; Unaudited Pro Forma Condensed Consolidated Financial Data.
6. Material Contacts with the Company Being Acquired.....	Joint Consent Statement/Prospectus Summary; The Merger; Management's Discussion and Analysis of Financial Condition and Results of Operations; The Company.
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters.....	*
8. Interests of Named Experts and Counsel.....	Legal Matters.
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	*
B. INFORMATION ABOUT THE REGISTRANT	
10. Information with Respect to S-3 Registrants.....	*
11. Incorporation of Certain Information by Reference.....	*
12. Information with Respect to S-2 or S-3 Registrants.....	*
13. Incorporation of Certain Information by Reference.....	*

S-4 ITEM NUMBER AND CAPTION

PROSPECTUS

S-4 ITEM NUMBER AND CAPTION	PROSPECTUS
14. Information with Respect to Registrants Other Than S-3 or S-2 Registrants.....	Joint Consent Statement/Prospectus Summary; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; The Company; Management; Security Ownership of Certain Beneficial Owners and Management; Comparison of Stockholder Rights; Index to Financial Statements.
C. INFORMATION ABOUT THE COMPANY BEING ACQUIRED	
15. Information with Respect to S-3 Companies..	*
16. Information with Respect to S-2 or S-3 Companies.....	*
17. Information with Respect to Companies Other Than S-3 or S-2 Companies.....	Joint Consent Statement/Prospectus Summary; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; The Company; Comparison of Stockholder Rights.
D. VOTING AND MANAGEMENT INFORMATION	
18. Information if Proxies, Consents or Authorizations are to be Solicited.....	Joint Consent Statement/Prospectus Summary; Rights of Dissenting Stockholders; Vote By Written Consent; The Merger; Rights of Dissenting Stockholders; The Company; Management; Comparison of Stockholder Rights.
19. Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer.....	*

- - - - -

\* Item is omitted because answer is negative or item is inapplicable.

PRELIMINARY COPY  
SUBJECT TO COMPLETION

HEIDRICK & STRUGGLES INTERNATIONAL, INC.  
233 SOUTH WACKER DRIVE, SUITE 400  
CHICAGO, ILLINOIS 60606-6303

To the Stockholders of Heidrick & Struggles International, Inc.:

Pursuant to the requirements of the General Corporation Law of the State of Delaware, the Board of Directors seeks stockholder approval of (i) the recapitalization (the "HSI Recapitalization") of Heidrick & Struggles International Inc. ("HSI") by means of a to one stock split of HSI's Class A Common Stock, a to one stock split of HSI's Class B Common Stock and the amendments to HSI's Certificate of Incorporation required thereby and (ii) adoption of the Agreement and Plan of Merger, dated as of June 30, 1998, (the "Merger Agreement"), by and among HSI and Heidrick & Struggles, Inc., a Delaware Corporation ("H&S Inc."), including the amendment of HSI's Certificate of Incorporation to read in its entirety as Annex I to the Merger Agreement. Pursuant to HSI's Certificate of Incorporation, each of these actions requires approval by the written consent of the holders of a majority of the Class A Common Stock of HSI ("Class A Common Stock") issued and outstanding voting separately as a Class and the written consent of the Class B Common Stock of HSI ("Class B Common Stock") issued and outstanding voting separately as a Class. In the merger (the "Merger"), H&S Inc. will merge with and into HSI, and HSI will be the surviving corporation. Upon the effectiveness of the Merger, each share of the issued and outstanding capital stock of H&S Inc. will be converted into shares of Common Stock of the surviving corporation, each share of Class A Common Stock will be converted into shares of Common Stock of the surviving corporation and each share of Class B Common Stock will be cancelled without consideration therefor.

By this written consent, stockholders are being asked to consider and consent to the two above-mentioned proposals, in connection with the proposed HSI Recapitalization and Merger.

Please read the enclosed materials carefully. This Joint Consent Statement/Prospectus more fully describes the Merger, the HSI Recapitalization and the proposed recapitalization of H&S Inc. Do not send us your stock certificates at this time. Once the HSI Recapitalization and/or the Merger become(s) effective, you will be advised of the procedure for surrendering your certificates in exchange for new certificates.

---

Richard D. Nelson  
Secretary

PRELIMINARY COPY  
SUBJECT TO COMPLETION

HEIDRICK & STRUGGLES, INC.

233 SOUTH WACKER DRIVE, SUITE 400  
CHICAGO, ILLINOIS 60606-6303

To the Stockholders of Heidrick & Struggles, Inc.:

Pursuant to the requirements of the General Corporation Law of the State of Delaware, the Board of Directors seeks stockholder approval of (i) the recapitalization of Heidrick & Struggles, Inc. ("H&S Inc.") by means of a to one stock split of H&S Inc.'s Common Stock (the "H&S Recapitalization") and the amendment of H&S Inc.'s Certificate of Incorporation required thereby and (ii) the adoption of the Agreement and Plan of Merger, dated as of June 30, 1998, (the "Merger Agreement"), by and among Heidrick & Struggles International, Inc. ("HSI") and H&S Inc., including the amendment of HSI's Certificate of Incorporation to read in its entirety as Annex I to the Merger Agreement. Pursuant to H&S Inc.'s Certificate of Incorporation, the H&S Inc. Recapitalization requires approval by the written consent of the holders of a majority of the Common Stock of H&S Inc. issued and outstanding, and the Merger requires the approval by the written consent of the holders of two-thirds of the Common Stock of H&S Inc. issued and outstanding. In the merger (the "Merger"), H&S Inc. will merge with and into HSI, and HSI will be the surviving corporation. Upon the effectiveness of the Merger, each share of the issued and outstanding capital stock of H&S Inc. will be converted into shares of Common Stock of the surviving corporation, each share of Class A Common Stock will be converted into shares of Common Stock of the surviving corporation and each share of Class B Common Stock will be cancelled without consideration therefor.

By this written consent, stockholders are being asked to consider and consent to the two above-mentioned proposals, in connection with the proposed H&S Inc. Recapitalization and Merger.

Please read the enclosed materials carefully. This Joint Consent Statement/Prospectus more fully describes the Merger, the H&S Inc. Recapitalization and the proposed recapitalization of HSI. Do not send us your stock certificates at this time. Once the Merger becomes effective, you will be advised of the procedure for surrendering your certificates in exchange for the Merger consideration described in the attached materials.

---

Richard D. Nelson  
Secretary

SUBJECT TO COMPLETION, DATED AUGUST , 1998  
JOINT CONSENT STATEMENT/PROSPECTUS

SHARES  
COMMON STOCK, NO PAR VALUE

JOINT CONSENT STATEMENT  
FOR  
HEIDRICK & STRUGGLES INTERNATIONAL, INC.  
AND  
HEIDRICK & STRUGGLES, INC.  
-----

This Joint Consent Statement/Prospectus is being furnished to the holders of Class A Common Stock and Class B Common Stock of Heidrick & Struggles International, Inc., a Delaware corporation ("HSI"), in connection with the solicitation of written consents by HSI, to (i) approve the recapitalization (the "HSI Recapitalization") of HSI by means of a to one stock split of HSI's Class A Common Stock ("Class A Common Stock"), a to one stock split of HSI's Class B Common Stock and the amendments to HSI's Certificate of Incorporation required thereby and (ii) approve the Agreement and Plan of Merger, dated as of June 30, 1998 (the "Merger Agreement") by and among HSI and Heidrick & Struggles, Inc., a Delaware corporation ("H&S Inc."), including the amendment of HSI's Certificate of Incorporation to read in its entirety as Annex I to the Merger Agreement.

As permitted under Delaware law, HSI is soliciting consents to take the above action without a stockholders' meeting. The HSI Recapitalization and adoption of the Merger Agreement each requires approval by the written consent of the holders of a majority of the issued and outstanding shares, Class A Common Stock ("Class A Common Stock") of HSI voting separately as a class and the written consent of the Class B Common Stock ("Class B Common Stock") of HSI voting separately as a class.

This Joint Consent Statement/Prospectus is also being furnished to the holders of Common Stock, par value \$1.00 per share (the "H&S Inc. Common Stock") of H&S Inc., in connection with the solicitation of written consents by H&S Inc., to (i) approve the recapitalization (the "H&S Inc. Recapitalization" and, together with the HSI Recapitalization, the "Recapitalizations") of H&S Inc. by means of a to one stock split of the H&S Inc. Common Stock and the amendment of H&S Inc.'s Certificate of Incorporation required thereby and (ii) adopt the Merger Agreement.

Upon effectiveness of the Merger, H&S Inc. will merge with and into HSI, and Heidrick & Struggles International, Inc. will be the surviving corporation (referred to herein as the "Company" or "H&S") and each share of the issued and outstanding H&S Inc. Common Stock will be converted into shares of Common Stock of the Company (the "Company Common Stock"), each share of Class A Common Stock will be converted into shares of Company Common Stock and each share of Class B Common Stock will be cancelled without consideration therefor.

As permitted under Delaware law, H&S Inc. is soliciting consents to take the above action without a stockholders' meeting to adopt the Merger Agreement. Pursuant to H&S Inc.'s Certificate of Incorporation, the H&S Inc. Recapitalization requires approval by the written consent of the holders of a majority of the H&S Inc. Common Stock issued and outstanding and the adoption of the Merger Agreement requires the approval by the written consent of the holders of two-thirds of the H&S Inc. Common Stock issued and outstanding.

This Joint Consent Statement/Prospectus also serves as the prospectus of HSI with respect to the shares of Company Common Stock issuable upon consummation of the Merger.

This Joint Consent Statement/Prospectus and the accompanying form of consent are first being mailed to stockholders of HSI and H&S Inc. on or about , 1998.

-----  
THE SHARES OF COMPANY COMMON STOCK TO BE ISSUED IN CONNECTION WITH THE MERGER HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS JOINT CONSENT STATEMENT/PROSPECTUS IS AUGUST , 1998

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS JOINT CONSENT STATEMENT/PROSPECTUS IN CONNECTION WITH THE RECAPITALIZATIONS AND THE MERGER, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. NEITHER THE DELIVERY OF THIS JOINT CONSENT STATEMENT/PROSPECTUS NOR ANY DELIVERY OF HSI COMMON STOCK SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION CONTAINED HEREIN OR IN THE AFFAIRS OF HSI OR H&S INC. SINCE THE DATE HEREOF.



TABLE OF CONTENTS

	PAGE
	----
Joint Consent Statement/Prospectus Summary.....	4
Vote by Written Consent.....	13
Information concerning HSI.....	13
Information concerning H&S Inc.....	13
The Recapitalizations.....	13
Recommendation of the Board of Directors of HSI.....	13
Recommendation of the Board of Directors of H&S Inc.....	13
The Merger.....	13
Background of the Merger.....	13
Reasons for the Merger.....	14
Recommendation of the Board of Directors of HSI.....	14
Recommendation of the Board of Directors of H&S Inc.....	14
Proposed Merger.....	14
Conditions to the Merger.....	15
Amendment or Waiver of Merger Agreement.....	15
Accounting Treatment of the Transaction.....	16
Amendment of HSI's Certificate of Incorporation.....	16
Regulatory Approvals.....	16
Rights of Dissenting Stockholders.....	16
Risk Factors.....	20
Dividend Policy.....	25
Capitalization.....	26
Unaudited Pro Forma Condensed Consolidated Financial Data.....	27
Selected Financial Data.....	32
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	34
The Company.....	43
Management.....	52
Security Ownership of Certain Beneficial Owners and Management.....	57
Comparison of Stockholder Rights.....	58
Certain United States Federal Tax Consequences .....	64
Legal Matters.....	64
Experts.....	65
Additional Information.....	65

## JOINT CONSENT STATEMENT/PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements (including the notes thereto) appearing elsewhere in this Joint Consent Statement/Prospectus. Unless otherwise indicated, the information in this Joint Consent Statement/Prospectus assumes that H&S Inc. will merge with and into HSI prior to the completion of the initial offering to the public (the "Offering") of the Company Common Stock of the combined company. Unless the context requires otherwise, all references herein to "H&S" or the "Company" or "Heidrick & Struggles International, Inc." mean Heidrick & Struggles International, Inc. after the Merger, its wholly and majority owned subsidiaries and its and their respective predecessors, collectively. All references to "HSI" refer to Heidrick & Struggles International, Inc. before the Merger. In addition, unless the context requires otherwise, all share and per share amounts contained herein give effect to the Recapitalizations.

### VOTE BY WRITTEN CONSENT

Approval of the HSI Recapitalization and adoption by HSI of the Merger Agreement require the approval by the written consent of the holders of a majority of the Class A Common Stock issued and outstanding voting separately as a class and the written consent of the Class B Common Stock issued and outstanding voting separately as a class.

Approval of the H&S Inc. Recapitalization requires the approval of the holders of a majority of the H&S Inc. Common Stock issued and outstanding. Adoption of the Merger Agreement by H&S Inc. requires the approval of the holders of two-thirds of the H&S Inc. Common Stock issued and outstanding.

### HSI AND H&S INC.

HSI was incorporated in Delaware on May 9, 1968. HSI conducts executive searches primarily in Europe. HSI has two classes of stock, the Class A Common Stock and the Class B Common Stock. All of the Class B Stock is owned by H&S Inc. Shares of the Class A Common Stock are owned by employees of HSI. HSI's principal place of business is 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606-6303, and its telephone number is (312) 496-1200.

H&S Inc. was incorporated in Delaware on October 8, 1956 as successor to a partnership formed in 1953. H&S Inc. conducts executive searches in North America, Latin America and Asia. H&S Inc. has one class of Common Stock which is owned by employees of H&S Inc. H&S Inc.'s principal place of business is 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606-6303, and its telephone number is (312) 496-1200.

### THE RECAPITALIZATIONS

The HSI Recapitalization will give effect to a           to one stock split of the Class A Common Stock and a           to one split of the Class B Common Stock. As a result of the HSI Recapitalization, each holder of shares of Class A Common Stock will thus receive           shares of Class A Common Stock and each holder of shares of Class B Common Stock will receive           shares of Class B Common Stock. The H&S Inc. Recapitalization will give effect to a           to one stock split of the H&S Inc. Common Stock. As a result of the H&S Inc. recapitalization, each holder of shares of H&S Inc. Common Stock will thus receive           shares of H&S Inc. Common Stock. The prior completion of the Recapitalizations is a condition to the effectiveness of the Merger.

### RECOMMENDATION OF THE BOARD OF DIRECTORS OF HSI

The Board of Directors of HSI (the "HSI Board") has determined that it is advisable and in the best interests of HSI that the HSI Recapitalization take place. The HSI Board recommends that the stockholders of HSI approve the HSI Recapitalization, including the amendments to the Certificate of Incorporation of HSI required thereby.

## RECOMMENDATION OF THE BOARD OF DIRECTORS OF H&S INC.

The Board of Directors of H&S Inc. (the "H&S Inc. Board") has determined that it is advisable and in the best interests of H&S Inc. that the H&S Inc. Recapitalization take place. The H&S Inc. Board recommends that the stockholders of H&S Inc. approve the H&S Inc. Recapitalization, including the amendment of the Certificate of Incorporation of H&S Inc. required thereof.

### THE MERGER

Prior to 1984, H&S Inc. and HSI operated under a single ownership structure. In 1984, H&S Inc. consummated a spin-off of HSI to its European partners while retaining a significant equity interest in HSI. Since that time, HSI has conducted primarily European-based operations, while H&S Inc. has conducted all other operations. The Merger is intended to reunite HSI and H&S Inc. in contemplation of the Offering.

### MERGER AGREEMENT

A copy of the Merger Agreement is annexed as Annex A to this Joint Consent Statement/Prospectus and is incorporated herein by reference. The description of the provisions of the Merger Agreement that follows is necessary incomplete; reference is made to the Merger Agreement itself for a complete description of each matter and of all of the terms and conditions of the Merger.

### EFFECT OF THE MERGER

Pursuant to the Merger Agreement, H&S Inc. will merge with and into HSI with Heidrick & Struggles International, Inc. being the surviving corporation of the Merger. The Merger shall become effective when the Certificate of Merger is filed with the Secretary of State of Delaware or at such subsequent time as the parties shall agree (the "Effective Time"). At the Effective Time, the separate corporate existence of H&S Inc. shall cease and Heidrick & Struggles International, Inc. shall be the surviving corporation. At the Effective Time, the Company's Certificate of Incorporation will be amended to read in its entirety as Annex I to the Merger Agreement. At the Effective Time, each share of the issued and outstanding capital stock of H&S Inc. will be converted into shares of Company Common Stock as provided in the Merger Agreement. Any fractional shares will be cancelled, and the holders thereof will receive cash for their fractional interests.

Currently the authorized number of shares of HSI is 300,000 shares, of which (i) 150,000 are Class A Common Stock, of which shares are currently issued and outstanding; and (ii) 150,000 shares are Class B Common Stock, of which shares are currently issued and outstanding. At the Effective Time, each issued and outstanding share of Class A Common Stock will be converted into shares of Company Common Stock, and each share of Class B Common Stock will cease to be outstanding and shall be cancelled and retired and no consideration shall be delivered in exchange therefor.

Currently, the authorized number of shares of H&S Inc. Common Stock is 500,000, of which shares are currently issued and outstanding. At the Effective Time, each share of H&S Inc. Common Stock that is issued and outstanding immediately prior to the Effective Time will automatically be converted into shares of Company Common Stock. All shares of H&S Inc. Common Stock shall cease to be outstanding and shall be cancelled and returned. Each holder of H&S Inc. Common Stock shall cease to have any rights with respect to and shares of H&S Inc. Common Stock, except the right to receive the applicable number of shares of Company Common Stock.

### CONDITIONS TO THE MERGER

The obligations of HSI and H&S Inc. to effect the Merger are subject to various conditions, including, without limitation, the completion of the Recapitalizations, obtaining the requisite stockholder approval, the termination or the expiration of the waiting period, if any, under the Hart-Scott-Rodino Antitrust Improvements

Act of 1976, as amended (the "HSR Act"), the receipt of an opinion from Kramer, Levin, Naftalis & Frankel that the Merger will qualify as a tax-free reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder and the absence of any injunction or other legal restraint or prohibition preventing the consummation of the Merger.

#### CLOSING DATE

The closing of the Merger shall take place on the second business day after which the last to be fulfilled or waived of all the conditions precedent to the Merger (other than those conditions that can only be fulfilled at the closing) shall be fulfilled or waived or at such other time as the parties may agree.

#### AMENDMENT OF HSI'S CERTIFICATE OF INCORPORATION

Pursuant to the terms of the Merger Agreement, at the Effective Time of the Merger, the Certificate of Incorporation of HSI will be amended to read in its entirety as Annex I to the Merger Agreement, which will, as so amended be the Certificate of Incorporation of the Company. Such amended Certificate of Incorporation will eliminate both the Class A Common Stock and the Class B Common Stock, providing instead for the Company Common Stock. Certain additional provisions of the Company's Certificate of Incorporation are described under "Comparison of Stockholder Rights."

#### RECOMMENDATION OF THE BOARD OF DIRECTORS OF HSI

The HSI Board has determined that it is advisable and in the best interests of HSI that H&S Inc. be merged with and into HSI, with HSI as the surviving corporation, in accordance with the Merger Agreement. The HSI Board recommends that the stockholders of HSI approve the merger and adopt the Merger Agreement including the amendment of HSI's Certificate of Incorporation to read in its entirety as Annex I to the Merger Agreement.

#### RECOMMENDATION OF THE BOARD OF DIRECTORS OF H&S INC.

The H&S Inc. Board has determined that it is advisable and in the best interests of H&S Inc. that H&S Inc. be merged with and into HSI, with HSI as the surviving corporation, in accordance with the Merger Agreement. The H&S Inc. Board recommends that the stockholders of H&S Inc. approve the Merger and adopt the Merger Agreement including the amendment of HSI's Certificate of Incorporation to read in its entirety as Annex I to the Merger Agreement.

#### RIGHTS OF DISSENTING STOCKHOLDERS

Under Section 262 of the Delaware General Corporation Law (the "DGCL"), holders of Class A Common Stock, Class B Common Stock and H&S Inc. Common Stock may dissent from the Merger and obtain payment for the fair value of his or her shares. In order to dissent, (i) the dissenting stockholder must deliver to HSI or H&S Inc., as the case maybe, prior to written notice of his or her intent to demand payment for his or her shares if the Merger is effected and (ii) the dissenting stockholder must not vote in favor of the Merger. See "Rights of Dissenting Stockholders."

#### REGULATORY APPROVALS

Under the HSR Act and the rules promulgated thereunder by the Federal Trade Commission (the "FTC"), the Merger may not be consummated until notifications have been given and certain information has been furnished to the FTC and the Antitrust Division of the Department of Justice (the "Antitrust Division") and the

applicable waiting period has expired or been terminated. On , 1998, HSI and H&S Inc. filed Notification and Report Forms under the HSR Act with the FTC and the Antitrust Division. [On 1998, the FTC and the Antitrust Division granted early termination of the waiting period under the HSR Act with respect to the Merger effective immediately.] See "Regulatory Approvals."

#### CERTAIN FEDERAL INCOME TAX CONSEQUENCES

For a summary of the material U.S. federal income tax consequences of the Merger, see "Certain Federal Income Tax Consequences."

BECAUSE CERTAIN TAX CONSEQUENCES OF THE MERGER MAY VARY DEPENDING ON THE PARTICULAR CIRCUMSTANCES OF EACH STOCKHOLDER, IT IS RECOMMENDED THAT HOLDERS OF H&S INC. COMMON STOCK CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL (AND ANY STATE, LOCAL AND NON-U.S.) TAX CONSEQUENCES OF THE MERGER IN THEIR PARTICULAR CIRCUMSTANCES.

#### THE COMPANY

After the Merger, the Company will continue to function much as HSI and H&S Inc. functioned in concert prior to the Merger. In this Joint Consent Statement/Prospectus, the term "Company" is used both to refer to the historic collective operations of HSI and H&S Inc. and to the anticipated operations of the Company after the Merger.

After the Merger, Heidrick & Struggles International, Inc. will be one of the leading global executive search firms and believes that, based on revenues, it will be the largest executive search firm in the United States and the second largest in the world. With over 45 years of experience in fulfilling its clients' leadership needs, H&S Inc. and HSI (together, "H&S" or the "Company") offer and conduct executive search services in nearly every major business center in the world. The Company's services focus on the identification, evaluation and recommendation of qualified candidates for senior level executive positions. Through its worldwide network of approximately 700 professionals in 54 offices, H&S provides executive search services to a broad range of clients, including Fortune 500 companies, major non-U.S. companies, middle market and emerging growth companies, governmental and not-for-profit organizations and other leading private and public entities. Taken together, the combined worldwide revenues of H&S Inc. and HSI have grown from \$108.5 million in 1993 to \$263.0 million in 1997, a compound annual growth rate of approximately 25%.

According to industry sources, worldwide executive search industry revenue has grown at a 20% compound annual growth rate from approximately \$3.5 billion in 1993 to approximately \$7.3 billion in 1997. H&S believes that a number of favorable trends are contributing to the growth of the executive search industry, including the following: (i) an increase in competition for executive talent and a resulting increase in executive compensation levels and turnover, (ii) a growing acceptance by corporate leadership of the use of executive search consultants, (iii) the increasing globalization of business driving the demand for executive talent by multinationals, (iv) an increased demand for executive search services by start-up and newly-acquired companies, (v) a greater need for managers with diverse leadership skills and (vi) a reduction of the number of layers of executive management, which limits the internal pool from which companies can draw for talent.

#### KEY COMPETITIVE STRENGTHS

The Company believes that it possesses several key competitive strengths which position it to capitalize on the growing demand for its services. These strengths include the following:

- . EXPERIENCED TEAM OF EXECUTIVE SEARCH CONSULTANTS. H&S believes that its executive search consultants ("consultants") are among the most experienced within the executive search industry. As of June 30, 1998, the Company employed approximately 320 consultants who, on average, have approximately 11 years of experience in executive search and 9 years of experience in other industries.

H&S believes that this depth of experience is a prerequisite to the effective performance of senior level executive searches. The Company attributes its success in attracting and retaining such high caliber consultants to its premier reputation, unique team oriented culture and performance-based compensation system. The Company believes that its attractiveness as an employer is reflected in its low turnover rate among its consultants. For the period from January 1, 1995 through June 30, 1998, an annual average of fewer than 1.5% of H&S's consultants have left to work elsewhere in the executive search industry.

- . GLOBAL PRESENCE. The Company's 54 offices are located in major business centers in 28 countries around the world. The Company's global presence enables it to serve the needs of multinational companies and local businesses worldwide, and provides it with access to an international network of candidates and referral sources. The Company's offices in North America, Europe, Asia Pacific and Latin America employed 161, 125, 21 and 15 consultants, as of June 30, 1998, respectively, and generated 1997 revenues of \$159 million, \$83 million, \$13 million and \$8 million, respectively.
- . EMPHASIS ON SENIOR LEVEL EXECUTIVE SEARCH. H&S is an industry leader in placing senior level executives within the world's largest and most complex organizations. Approximately 39% of the executive searches performed by the Company worldwide (and approximately 50% of the searches performed in North America) in 1997 were for chief executive officers ("CEOs"), presidents, chief financial officers ("CFOs"), chief operating officers ("COOs"), chief administrative officers ("CAOs"), chief information officers ("CIOs"), members of boards of directors and other senior management positions (such as division heads). These senior level executive searches generally provide a higher level of revenue per search and result in greater visibility with the Company's clients and within the executive search industry. The Company believes that performing senior level, high profile executive search assignments: (i) strengthens its brand name recognition and contacts with leading decision makers, referral sources and high caliber candidates; (ii) enhances H&S's ability to secure other senior level executive searches and (iii) enables the Company to attract and retain highly qualified consultants.
- . INDUSTRY PRACTICE GROUPS AND FUNCTIONAL SPECIALTIES. H&S's business is organized around seven core industry practice groups, each focused on a specific industry. These core industry practice groups are international technology, industrial, consumer products, financial services, health care, professional services and higher education/not-for-profit. Certain H&S consultants also specialize in searches for functional positions such as members of boards of directors, CEOs, CFOs and CIOs. The Company believes that its operational structure enables its consultants to provide its clients with superior executive search services. By enabling its consultants to specialize, the Company's consultants are better able to successfully build relationships with candidates and referral sources and to understand its clients' cultures, operations, business strategies and industries. Understanding these factors is critical to understanding the needs of clients' and candidates' and, therefore, to the successful placement of candidates. The Company's industry practice groups and functional specialties emphasize H&S's consultative approach and are designed to build and maintain long-term relationships with its clients.
- . GLOBAL SUPPORT PLATFORM. The Company's consultants work with a team of more than 365 associates, all of whom have access to a sophisticated global technology infrastructure. This technology infrastructure consists of internally developed global databases containing over 650,000 candidate profiles and over 27,000 company records, coupled with a broad range of on-line services and industry reference sources. H&S also deploys advanced Internet-based technology to support the research needs of the Company's professionals. The Company believes that its global support structure enables its professionals to complete searches efficiently and effectively. Given the importance of technology to the search process, H&S is continuing to improve its information management infrastructure by implementing its Integrated Global Information System ("IGIS"), an ongoing strategic technology initiative. IGIS is designed to enhance the functionality, speed and quality of the Company's information management. See "The Company--Assignment Research and Information Management."

## GROWTH STRATEGY

The Company's goal is to be the leading global provider of executive search services while achieving sustainable revenue and earnings growth. The Company pursues a focused growth strategy with the following key elements:

- . EXPAND AND DEVELOP CLIENT RELATIONSHIPS. The Company continually seeks to expand its relationships with existing clients and to develop new client relationships. The Company accomplishes this by continuing to (i) aggressively pursue the highest level executive search assignments, (ii) expand the breadth and depth of its industry practice groups and functional specialties, (iii) offer services across a broadening range of geographic locations by strategically opening offices in cities where H&S is not currently located and (iv) actively recruit consultants who have the demonstrated ability to expand the Company's client base. Historically, the Company has successfully expanded its client base and generated repeat business from existing clients. For example, H&S had approximately 1,800 clients in 1995 and approximately 2,600 in 1997. Of the clients for which the Company performed searches in 1997, 77% had also been clients of the firm between 1994 and 1996.
- . PURSUE STRATEGIC ACQUISITIONS. The executive search industry is highly fragmented, consisting of more than 4,000 executive search firms worldwide. The industry has been consolidating in recent years as a number of smaller firms have joined with larger firms in the industry, such as H&S, in order to gain the benefits of superior managerial, financial and technological resources. The Company maintains a focused acquisition strategy designed to acquire executive search firms with complementary corporate cultures in order to increase its penetration in existing and new geographic markets and expand the depth and breadth of its industry practice groups and functional specialties. The Company has completed a number of strategic acquisitions worldwide that are consistent with its acquisition strategy. See "--Recent Acquisitions."
- . ENHANCE EXECUTIVE SEARCH PROFESSIONAL PRODUCTIVITY. The Company believes that its consultants generate one of the highest levels of average revenue per consultant in the industry. H&S's consultants generated an average revenue per consultant of \$1.2 million in the U.S. in 1997. H&S believes that its infrastructure can be leveraged to allow for increases in the productivity of its executive search professionals. Specifically, the Company expects that its IGIS initiative will enable H&S's professionals to access a greater amount of information sources more quickly and to perform more sophisticated search functions to help them identify candidates more efficiently and effectively. IGIS will provide the Company with a scalable technology infrastructure that is designed to support a significant number of additional users without significant incremental costs.

## RECENT ACQUISITIONS

Over the past year, H&S Inc. and HSI have successfully completed the strategic acquisition of two executive search firms:

- . FENWICK. On June 26, 1998, H&S Inc. acquired Fenwick Partners, Inc. ("Fenwick"). Fenwick, a Boston-based executive search firm, employed nine consultants and had fiscal 1997 revenues of \$6.4 million. This transaction expanded the reach of H&S Inc.'s international technology group into a third key technology center in the United States. Fenwick, based in the "Route 128" technology corridor in Massachusetts, complements the H&S Inc.'s existing offices in Menlo Park, California and Tysons Corner, Virginia which also focus on senior level recruitment for computer hardware and software, telecommunications, engineering and medical electronics companies.
- . MULDER. On October 1, 1997, HSI acquired Mulder & Partner GmbH & Co. KG ("Mulder") which employed 13 consultants. Prior to the acquisition, Mulder was the largest executive search firm in

Germany, as measured by revenues, with \$21.8 million in revenues for the nine months ended September 30, 1997. This transaction immediately positioned HSI as the largest executive search firm in Germany and the second largest in Europe.

#### THE OFFERING

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 under the Securities Act of 1933, as amended (the "Securities Act") in connection with the Offering. The Recapitalizations and the Merger are to take place prior to the completion of the Offering.



SUMMARY FINANCIAL DATA

The following tables set forth summary historical financial and other data of H&S Inc. and HSI as of the dates and for the periods indicated, which have been derived from, and are qualified by reference to, H&S Inc.'s and HSI's financial statements and other records, and unaudited summary pro forma condensed consolidated financial data. See "Unaudited Pro Forma Condensed Consolidated Financial Data." The unaudited pro forma financial data are presented for informational purposes only and should not be construed to indicate (i) the results of operations or the financial position of the Company that actually would have occurred had the Merger and other matters reflected therein occurred as of the dates indicated or (ii) the results of operations or the financial position of the Company in the future. The following table should be read in conjunction with the Consolidated Financial Statements and related Notes thereto included elsewhere in this Prospectus.

UNAUDITED SUMMARY PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA(1)

	YEAR ENDED DECEMBER 31,	THREE MONTHS ENDED MARCH 31,	
	1997	1997	1998
(IN THOUSANDS, EXCEPT PER SHARE AND OTHER OPERATING DATA)			
STATEMENT OF OPERATIONS DATA:			
Revenue.....	\$284,792	\$57,926	\$73,990
Operating income.....	20,051	3,419	2,744
Net income.....	\$ 10,270	\$ 1,793	\$ 1,350
	=====	=====	=====
SHARE DATA:			
Basic earnings per common share.....	\$	\$	\$
	=====	=====	=====
Diluted earnings per common share.....	\$	\$	\$
	=====	=====	=====
Basic weighted average common shares outstanding.....			
	=====	=====	=====
Diluted weighted average common shares outstanding.....			
	=====	=====	=====
BALANCE SHEET DATA (AT END OF PERIOD):			
Working capital.....			\$13,675
Total assets.....			186,957
Long-term debt, less current maturities.....			1,729
Total stockholders' equity.....			90,147
OTHER OPERATING DATA:			
Number of offices (at end of period).....	51	43	51
	=====	=====	=====
Average number of consultants during the period.....	254	236	293
	=====	=====	=====

(1) See Notes to "Unaudited Pro Forma Condensed Consolidated Financial Data" on page 21.

SUMMARY FINANCIAL DATA

H&S INC.

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1996	1997	1997	1998

(IN THOUSANDS, EXCEPT OTHER OPERATING DATA)

STATEMENT OF OPERATIONS

DATA:							
Revenue.....	\$77,990	\$96,127	\$108,685	\$137,665	\$180,244	\$39,973	\$45,937
Operating income.....	9,168	10,670	10,617	10,712	11,945	1,440	827
Net income.....	\$ 5,744	\$ 6,342	\$ 6,358	\$ 6,449	\$ 6,645	\$ 890	\$ 115

BALANCE SHEET DATA (AT  
END OF PERIOD):

Working capital.....	\$13,024	\$13,549	\$ 17,193	\$ 20,628	\$ 24,768	\$21,524	\$23,590
Total assets.....	41,139	45,058	55,900	68,643	93,892	81,447	107,929
Long-term debt, less current maturities....	1,562	735	1,189	993	1,636	985	1,601

OTHER OPERATING DATA:

Number of offices (at end of period).....	16	18	20	25	28	25	28
Average number of consultants during the period.....	94	108	119	137	159	152	178

SUMMARY FINANCIAL DATA

HSI

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1996	1997	1997	1998

(IN THOUSANDS, EXCEPT OTHER OPERATING DATA)

STATEMENT OF OPERATIONS

DATA:							
Revenue.....	\$30,513	\$39,634	\$52,815	\$64,558	\$82,732	\$17,953	\$28,053
Operating income (loss).....	2,840	5,123	3,302	3,438	3,037	1,479	(103)
Net income (loss).....	\$ 1,606	\$ 2,649	\$ 1,800	\$ 2,141	\$ 1,711	\$ 910	\$ (521)

BALANCE SHEET DATA (AT  
END OF PERIOD):

Working capital.....	\$ 4,478	\$ 7,908	\$ 7,777	\$ 9,345	\$ (2,114)	\$10,190	\$ (4,477)
Total assets.....	15,273	21,998	25,756	32,851	59,947	29,644	61,559
Long-term debt, less current maturities....	59	--	--	267	368	--	128

OTHER OPERATING DATA:

Number of offices (at end of period).....	10	12	13	16	23	18	23
Average number of consultants during the period.....	51	55	59	71	95	84	115

#### VOTE BY WRITTEN CONSENT

Approval of the HSI Recapitalization and adoption by HSI of the Merger Agreement require the approval by the written consent of the holders of a majority of the Class A Common Stock issued and outstanding voting separately as a class and the written consent of the Class B Common Stock issued and outstanding voting separately as a class.

Approval of the H&S Inc. Recapitalization requires the approval of the holders of a majority of the H&S Inc. Common Stock issued and outstanding. Adoption of the Merger Agreement by H&S Inc. requires the approval of the holders of two-thirds of the H&S Inc. Common Stock issued and outstanding.

#### INFORMATION CONCERNING HSI

HSI was incorporated in Delaware on May 9, 1968. HSI conducts executive searches primarily in Europe. HSI has two classes of stock, the Class A Common Stock and the Class B Common Stock. All of the Class B Stock is owned by H&S Inc. Shares of the Class A Common Stock are owned by employees of HSI. HSI's principal place of business is 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606-6303, and its telephone number is (312) 496-1200.

#### INFORMATION CONCERNING H&S INC.

H&S Inc. was incorporated in Delaware on October 8, 1956 as successor to a partnership formed in 1953. H&S Inc. conducts executive searches in North America, Latin America and Asia. H&S Inc. has one class of Common Stock which is owned by employees of H&S Inc. H&S Inc.'s principal place of business is 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606-6303, and its telephone number is (312) 496-1200.

#### THE RECAPITALIZATIONS

The HSI Recapitalization will give effect to a                    to one stock split of the Class A Common Stock and a                    to one split of the Class B Common Stock. As a result of the HSI Recapitalization, each holder of shares of Class A Common Stock will thus receive                    shares of Class A Common Stock and each holder of shares of Class B Common Stock will receive                    shares of Class B Common Stock. The H&S Inc. Recapitalization will give effect to a                    to one stock split of the H&S Inc. Common Stock. As a result of the H&S Inc. Recapitalization, each holder of shares of H&S Inc. Common Stock will thus receive                    shares of H&S Inc. Common Stock. The prior completion of the Recapitalization is a condition to the effectiveness of the Merger.

#### RECOMMENDATION OF THE BOARD OF DIRECTORS OF HSI

The HSI Board has determined that it is advisable and in the best interests of HSI that the HSI Recapitalization take place. The HSI Board recommends that the stockholders of HSI approve the HSI Recapitalization including the amendments to the Certificate of Incorporation of HSI required thereby.

#### RECOMMENDATION OF THE BOARD OF DIRECTORS OF H&S INC.

The H&S Inc. Board has determined that it is advisable and in the best interests of H&S Inc. that the H&S Inc. Recapitalization take place. The H&S Inc. Board recommends that the stockholders of H&S Inc. approve the H&S Inc. Recapitalization including the amendments to the Certificate of Incorporation of H&S Inc. required thereby.

#### THE MERGER

#### BACKGROUND OF THE MERGER

Prior to 1984, H&S Inc. and HSI operated under a single ownership structure. In 1984, H&S Inc. consummated a spin-off of HSI to its European partners while retaining a significant equity interest in HSI. Since

that time, HSI has conducted primarily European-based operations, while H&S Inc. has conducted all other operations. HSI has filed with the Commission on July 24, 1998 a Registration Statement on Form S-1 under the Securities Act relating to the Offering. H&S Inc. and HSI plan to effect the Recapitalizations and to consummate the Merger prior to the completion of the Offering in order to reunite the two companies in a single corporate structure.

#### REASONS FOR THE MERGER

The merger of H&S Inc. with and into HSI, is intended to combine the existing separate companies into one legal entity in contemplation of the Offering. HSI and H&S Inc. have operated together closely, and now the HSI Board and the H&S Inc. Board (together the "Boards") believe that it is in the interests of the companies and their stockholders to combine them into one legal entity.

The HSI Board and the H&S Inc. Board each believe that the completion of the Merger and the Offering represents an opportunity for both companies, in accordance with their respective strategic business plans, to expand their presence in the global executive search market.

#### RECOMMENDATION OF THE BOARD OF DIRECTORS OF HSI

The HSI Board has determined that it is advisable and in the best interests of HSI that H&S Inc. be merged with and into HSI with HSI as the surviving corporation, in accordance with the Merger Agreement. The HSI Board recommends that the stockholders of HSI approve the Merger and adopt the Merger Agreement including the amendment of HSI's Certificate of Incorporation to read in its entirety as Annex I to the Merger Agreement.

#### RECOMMENDATION OF THE BOARD OF DIRECTORS OF H&S INC.

The H&S Inc. Board has determined that it is advisable and in the best interests of H&S Inc. that H&S Inc. be merged with and into HSI with HSI as the surviving corporation, in accordance with the Merger Agreement. The H&S Inc. Board recommends that the stockholders of H&S Inc. approve the Merger and adopt the Merger Agreement including the amendment of HSI's Certificate of Incorporation to read in its entirety as Annex I to the Merger Agreement.

#### PROPOSED MERGER

##### Merger Agreement--Principal Provisions

A copy of the Merger Agreement is annexed as Exhibit B to this Joint Consent Statement/Prospectus and is incorporated herein by reference. The description of the provisions of the Merger Agreement that follows is necessarily incomplete; reference is made to the Merger Agreement itself for a complete description of each matter and of all of the terms and conditions of the Merger.

Pursuant to the Merger Agreement, H&S Inc. will merge with and into HSI with Heidrick & Struggles International, Inc. being the surviving corporation of the Merger. At the Effective Time, the Company's Certificate of Incorporation will be amended to read in its entirety as Annex I to the Merger Agreement. In addition, at the Effective Time, the separate corporate existence of H&S Inc. shall cease and HSI shall be the surviving corporation. At the Effective Time, each share of H&S Inc. Common Stock will be converted into shares of Company Common Stock, as provided in the Merger Agreement. Any fractional shares will be cancelled, and the holders thereof will receive cash for their fractional interests.

Currently the authorized number of shares of HSI is 300,000 shares, of which (i) 150,000 are Class A Common Stock, of which shares are currently issued and outstanding; and (ii) 150,000 shares are

Class B Common Stock, of which            shares are currently issued and outstanding. At the Effective Time, each issued and outstanding share of Class A Common Stock will be converted into            shares of Company Common Stock, and each share of Class B Common Stock will cease to be outstanding and shall be cancelled and retired and no consideration shall be delivered in exchange therefor.

Currently, the authorized number of shares of H&S Inc. Common Stock is 500,000, of which            shares are currently issued and outstanding. At the Effective Time, each share of H&S Inc. Common Stock that is issued and outstanding immediately prior to the Effective Time will be automatically converted into            shares of Company Common Stock. All shares of H&S Inc. Common Stock shall cease to be outstanding and shall be cancelled and returned. Each holder of H&S Inc. Common Stock shall cease to have any rights with respect to and shares of H&S Inc. Common Stock, except the right to receive the applicable number of shares of Company Common Stock.

The closing of the Merger shall take place on the second business day after which the last to be fulfilled or waived of all the conditions precedent to the Merger (other than these conditions that can only be fulfilled at the closing) shall be fulfilled or waived or at such other time as the parties may agree.

#### Other Provisions of the Merger Agreement

In the Merger Agreement, H&S Inc. has represented and warranted that it is a duly organized and validly existing corporation in good standing and that any other corporation or other organization of which H&S Inc. holds at least a majority of the securities or other interests is duly organized, validly existing and in good standing; that it has requisite power and authority to enter into the Merger Agreement and consummate the transactions contemplated thereby; that the execution of the Merger Agreement does not contravene its Certificate of Incorporation or Bylaws or any other agreement; and that the H&S Board has approved the Merger and recommended that the stockholders of H&S Inc. adopt the Merger Agreement.

HSI has represented and warranted in the Merger Agreement that it is a duly organized and validly existing corporation with requisite power and authority to enter into the Merger Agreement and consummate the transactions contemplated thereby; that the execution of the Merger Agreement does not contravene its Certificate of Incorporation or Bylaws or any other agreement; and that the HSI Board has approved the Merger and recommended that the stockholders of HSI adopt the Merger Agreement.

Both H&S Inc. and HSI have agreed in the Merger Agreement to use their best efforts to cause the Merger to qualify as a reorganization under the provisions of Section 368 of the Code. Both parties have also agreed to do all things necessary to consummate the Merger under applicable laws and regulations including making the appropriate filings pursuant to the HSR Act.

#### CONDITIONS TO THE MERGER

The obligations of HSI and H&S Inc. to effect the Merger are subject to various conditions, including, without limitation, the completion of the Recapitalizations, obtaining the requisite stockholder approval, the termination of the expiration of the waiting period, if any, under the HSR Act, the receipt of an opinion from Kramer, Levin, Naftalis & Frankel that the Merger will qualify as a tax-free reorganization within the meaning of Section 368 of the Code and the regulations promulgated thereunder and the absence of any injunction or other legal restraint or prohibition preventing the consummation of the Merger.

#### AMENDMENT OR WAIVER OF MERGER AGREEMENT

At any time prior to the Effective Time, either party may, by action taken by their respective Boards of Directors, to the extent permitted by the DGCL amend or modify any provision or add provisions to the Merger Agreement, waive any inaccuracies in the representations and warranties contained therein or in any document

delivered pursuant to the Agreement and waive compliance with any of the agreements or conditions contained therein.

#### ACCOUNTING TREATMENT OF THE TRANSACTION

The Merger will be accounted for as a reverse acquisition, as the stockholders of H&S Inc. will own a majority of the outstanding shares of the Company Common Stock upon completion of the transaction. Accordingly, for accounting purposes, HSI is treated as the acquired company and H&S Inc. is considered to be the acquiring company.

#### AMENDMENT OF HSI'S CERTIFICATE OF INCORPORATION

Pursuant to the terms of the Merger Agreement, at the Effective Time of the Merger, the Certificate of Incorporation of HSI will be amended to read in its entirety as Annex I to the Merger Agreement, which will, as so amended be the Certificate of Incorporation of the Company. Such amended Certificate of Incorporation will eliminate both the Class A Common Stock and the Class B Common Stock, providing instead for the Company Common Stock. Certain additional provisions of the Company's Certificate of Incorporation are described under "Comparison of Stockholder Rights."

#### REGULATORY APPROVALS

Under the HSR Act and the rules promulgated thereunder by the FTC, the Merger may not be consummated until notifications have been given and certain information has been furnished to the FTC and the Antitrust Division and the applicable waiting period has expired or been terminated. On \_\_\_\_\_, 1998, HSI and H&S Inc. filed Notification and Report Forms under the HSR Act with the FTC and the Antitrust Division. [On \_\_\_\_\_, 1998, the FTC and the Antitrust Division granted early termination of the waiting period under the HSR Act with respect to the Merger effective immediately.]

#### RIGHTS OF DISSENTING STOCKHOLDERS

Record holders of shares of Class A Common Stock, Class B Common Stock and H&S Inc. Common Stock who follow the appropriate procedures are entitled to appraisal rights under Section 262 of the DGCL in connection with the Merger. The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 which is reprinted in its entirety as Annex B to this Joint Consent Statement/Prospectus. Except as set forth herein, the stockholders of HSI and H&S Inc. will not be entitled to appraisal rights in connection with the Merger.

Under the DGCL, record holders of shares of Class A Common Stock, Class B Common Stock and H&S Inc. Common Stock who follow the procedures set forth in Section 262 and who have not voted in favor of the Merger will be entitled to have their shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock, as the case may be, (such shares "Dissenting Shares") appraised by the Delaware Court of Chancery and to receive payment of the "fair value" of such shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest, as determined by such court.

Under Section 262, where a merger is to be approved by written consent, each company must, either before the effective date of the merger or within ten days thereafter, notify each stockholder that such appraisal rights are available and include in each such notice a copy of Section 262. Such notice may, and, if given on or after the effective date of the merger, shall also notify such stockholders of the effective date of the merger. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing such notice, demand in writing from the surviving corporation, the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger, each company shall send a second notice before the effective

date of the merger notifying each stockholder who is entitled to appraisal rights of the effective date or the surviving corporation shall send such second notice to the stockholders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares. This Joint Consent Statement/Prospectus constitutes such notice. Any such stockholder who wishes to exercise appraisal rights should review the following discussion and Annex carefully because failure to timely and properly comply with the procedures specified in Section 262 will result in the loss of appraisal rights under the DGCL.

A holder of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock wishing to exercise appraisal rights must deliver to the respective Company, before \_\_\_\_\_, written demand for appraisal of such holder's shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock, as the case may be. In addition, a holder of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock wishing to exercise appraisal rights must hold of record such shares on the date the written demand for appraisal is made and must continue to hold such shares through the Effective Time.

Only a holder of record of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock is entitled to assert appraisal rights for the shares registered in that holder's name. A demand for appraisal should be executed by or on behalf of the holder of record fully and correctly, as the holder's name appears on the stock certificates.

If the shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity, and if these shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is agent for such owner or owners. A record holder such as a broker who holds shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock as nominee for several beneficial owners may exercise appraisal rights with respect to the shares held, for one or more beneficial owners, while not exercising such rights with respect to the shares held for other beneficial owners; in such case, the written demand should set forth the number of shares as to which appraisal is sought and where no number of shares is expressly mentioned the demand will be presumed to cover all shares held in the name of the record owner. Holders of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by such nominee. All written demands for appraisal of shares of Class A Common Stock, Class B Common Stock should be mailed or delivered to Richard D. Nelson, Secretary, Heidrick & Struggles International, Inc., 233 South Wacker Drive-Suite 4200, Chicago, Illinois 60606-6303 so as to be received before \_\_\_\_\_. All written demands for appraisal of shares of H&S Inc. Common Stock should be mailed or delivered to Richard D. Nelson, Secretary, Heidrick & Struggles, Inc., 233 South Wacker Drive-Suite 4200, Chicago, Illinois 60606-6303 so as to be received before \_\_\_\_\_.

Within 120 days after the Effective Time, but not thereafter, the Company, or any holder of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock entitled to appraisal rights under Section 262 and who has complied with the foregoing procedures, may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of such shares. The Company is not under any obligation, and has no present intention, to file a petition with respect to the appraisal of the fair value of the shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock. Accordingly, it is the obligation of the stockholders to initiate all necessary action to perfect their appraisal rights within the time prescribed in Section 262.

Within 120 days after the Effective Time, any record holder of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from the Company a statement setting forth the aggregate number of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such statements must be mailed within 10 days after a written request therefor has been received by the Company.

If a petition for an appraisal is timely filed, after a hearing on such petition, the Delaware Court of Chancery will determine the holders of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock entitled to appraisal rights and will appraise the "fair value" of the shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock, as the case may be, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. Holders considering seeking appraisal should be aware that the fair value of their shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock as determined under Section 262 could be more than, the same as or less than the value of the consideration that they would otherwise receive in the Merger if they did not seek appraisal of their shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock, respectively. The Delaware Supreme Court has stated that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered in the appraisal proceedings. More specifically, the Delaware Supreme Court has stated that: "Fair value, in an appraisal context, measures 'that which has been taken from the shareholder, viz., his proportionate interest in a going concern.' In the appraisal process the corporation is valued 'as an entity,' not merely as a collection of assets or by the sum of the market price of each share of its stock. Moreover, the corporation must be viewed as an on-going enterprise, occupying a particular market position in the light of future prospects." In addition, Delaware courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a stockholder's exclusive remedy. The Court will also determine the amount of interest, if any, to be paid upon the amounts to be received by persons whose shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock have been appraised. The costs of the action may be determined by the Court and taxed upon the parties as the Court deems equitable. The Court may also order that all or a portion of the expenses incurred by any holder of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock in connection with an appraisal, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts utilized in the appraisal proceeding, be charged pro rata against the value of all of the shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock entitled to appraisal.

Any holder of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock who has duly demanded an appraisal in compliance with Section 262 will not, after the Effective Time, be entitled to vote the shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock, respectively, subject to such demand for any purpose or be entitled to the payment of dividends or other distributions on those shares (except dividends or other distributions payable to holders of record of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock as of a date prior to the Effective Time).

If any holder of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock who demands appraisal of shares under Section 262 fails to perfect, or effectively withdraws or loses, the right to appraisal, as provided in the DGCL, the shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock, respectively, of such holder will be converted in accordance with the Merger Agreement, as more fully described under "The Merger." A holder of shares of Class A Common Stock, Class B Common Stock or H&S Inc. Common Stock will fail to perfect, or will effectively lose, the right to appraisal if no petition for appraisal is filed within 120 days after the Effective Time. A holder may withdraw a demand for appraisal by delivering to the Company a written withdrawal of the demand for appraisal and acceptance of the Merger, except that any such attempt to withdraw made more than 60 days after the Effective Time will require the written approval of the Company.



FAILURE TO FOLLOW THE STEPS REQUIRED BY SECTION 262 OF THE DGCL FOR  
PERFECTING APPRAISAL RIGHTS MAY RESULT IN THE LOSS OF SUCH RIGHTS.

The foregoing is a summary of certain of the provisions of Section 262 of the  
DGCL and is qualified in its entirety by reference to the full text of such  
Section, a copy of which is attached hereto as Annex B.

## RISK FACTORS

Stockholders of HSI and H&S Inc. should consider the specific factors set forth below as well as the other information set forth in this Prospectus. This Joint Consent Statement/Prospectus contains forward-looking statements. Such statements are indicated by words or phrases such as "anticipates," "estimates," "projects," "management believes," "the Company believes," "intends," "expects" and similar words and phrases. Such forward-looking statements are subject to certain risks, uncertainties or assumptions and may be affected by certain other factors, including the specific factors set forth below. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of the Company may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. The Company disclaims any obligation to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

### DEPENDENCE ON ATTRACTING AND RETAINING QUALIFIED CONSULTANTS

H&S's success depends upon its ability to attract and retain consultants who possess the skills and experience necessary to fulfill its clients' executive search needs. Competition for qualified consultants is intense. H&S generally does not require its consultants to sign noncompetition agreements, and many other executive search firms have experienced high consultant turnover rates. H&S believes it has been able to attract and retain highly qualified, effective consultants as a result of its premium reputation, its unique team-oriented culture and its performance-based compensation system. Consultants have the potential to earn substantial bonuses based on the amount of revenue generated by obtaining executive search assignments and executing search assignments and by assisting other consultants to obtain or complete executive search assignments. Bonuses represent a significant proportion of consultants' total compensation. Any diminution of its reputation, reduction in H&S's compensation levels or restructuring of H&S's compensation system could impair H&S's ability to retain existing or attract additional qualified consultants. In connection with the Offering, the Company has established new equity-based compensation plans which were not previously a part of its compensation structure. There can be no assurance that these plans will be as successful in attracting and retaining consultants as were the Company's prior practices. In addition, there can be no assurance that H&S will be successful in identifying and hiring consultants with the requisite experience, skills and established client relationships. Any such inability to attract and retain qualified consultants could have a material adverse effect on H&S's business, results of operations and financial condition. See "--Portable Client Relationships" and "The Company--Key Competitive Strengths."

### PORTABLE CLIENT RELATIONSHIPS

H&S's success depends upon the ability of its consultants to develop and maintain strong, long-term relationships with its clients. Usually, one or two consultants have primary responsibility for a client relationship. When a consultant leaves one executive search firm and joins another, clients that have established relationships with the departing consultant may move their business to the consultant's new employer. The loss of one or more clients is more likely to occur if the departing consultant enjoys widespread name recognition or has developed a reputation as a specialist in executing searches in a specific industry or management function. Although client portability historically has not caused significant problems for H&S, the failure to retain its most effective consultants or maintain the quality of service to which its clients are accustomed, and the ability of a departing consultant to move business to his or her new employer, could have a material adverse effect on H&S's business, results of operations and financial condition. See "--Dependence on Attracting and Retaining Qualified Consultants," "The Company--Services" and "The Company--Clients and Marketing."

#### MAINTENANCE OF PROFESSIONAL REPUTATION AND BRAND NAME

The Company's ability to secure new engagements and hire qualified professionals is highly dependent upon the Company's overall reputation and brand name recognition as well as the individual reputations of its professionals. Because the Company obtains a majority of its new engagements from existing clients, or from referrals by those clients, the dissatisfaction of any such client could have a disproportionate, adverse impact on the Company's ability to secure new engagements. Any factor that diminishes the reputation of the Company or any of its personnel, including poor performance, could make it substantially more difficult for the Company to compete successfully for both new engagements and qualified consultants, and could have an adverse effect on the Company's business, results of operations and financial condition. See "The Company--Clients and Marketing."

#### NONRECURRING AND OTHER CHARGES

During the third quarter ending September 30, 1998, the Company will incur certain nonrecurring charges net of income taxes, totaling \$ million. These charges arise in connection with (i) the modification of the terms of the Mulder acquisition agreement and (ii) the early settlement of certain profit sharing arrangements in connection with the acquisition of certain Latin American offices.

The Company has agreed to modify the terms of the Mulder agreement, resulting in a nonrecurring charge expected to total \$ million, net of income taxes. See Note 11 of "Heidrick & Struggles International, Inc. and Subsidiaries--Notes to Consolidated Financial Statements." This charge represents the prepayment of the purchase price of \$ million and will be recorded as compensation expense. This nonrecurring charge represents the write-off of \$5.9 million of deferred compensation assets and a cash payment of \$5.4 million and the issuance of 27,080 shares of common stock (\$ based on assumed initial public offering price of \$ per share) to the previous owners of Mulder.

On September 1, 1996, the Company acquired certain Latin American offices for a purchase price of \$609,000. The acquisition agreement called for the sellers, who joined the Company as consultants, to receive, in addition to salary and bonus, approximately 60% of future pre-tax profit from certain operations net of certain corporate overhead. The Company intends to adjust these consultants' compensation to be consistent with the consultant compensation paid by the Company to all other consultants and in exchange for a payment of \$ , to allocate all future profits to the Company. This payment will be recorded as compensation expense in the third quarter of 1998.

#### RESTRICTIONS IMPOSED BY BLOCKING ARRANGEMENTS

Either by agreement with clients or for marketing or client relationship purposes, executive search firms frequently refrain, for a specified period of time, from recruiting certain employees of a client, and possibly other entities affiliated with such client, when conducting executive searches on behalf of other clients (a "blocking" arrangement). Blocking arrangements generally remain in effect for one or two years following completion of an assignment. However, the duration and scope of the blocking arrangement or "off limits" period, including whether it covers all operations of a client and its affiliates or only certain divisions of a client, generally depends on such factors as the length of the client relationship, the frequency with which the executive search firm has been engaged to perform executive searches for the client and the number of assignments the executive search firm has generated or expects to generate from the client. Some of H&S's clients are recognized as industry leaders and/or employ a significant number of qualified executives who are potential candidates for other companies in that client's industry. Blocking arrangements with such a client or awareness by a client's competitors of such an arrangement may make it difficult for H&S to obtain executive search assignments from, or to fulfill executive search assignments for, competitors while employees of that client may not be solicited. As H&S's client base grows, particularly in its targeted business sectors, blocking arrangements increasingly may impede H&S's growth or its ability to attract and serve new clients, which could have an adverse effect on H&S's business, results of operations and financial condition. See "The Company--Clients and Marketing."

## COMPETITION

The global executive search industry is extremely competitive and highly fragmented. H&S competes primarily with other large global executive search firms and with smaller boutique or specialty firms that focus on regional or functional markets or on particular industries. Some of H&S's competitors possess greater resources, greater name recognition and longer operating histories than H&S in particular markets, which may afford these firms significant advantages in obtaining future clients and attracting qualified professionals in those markets. There are limited barriers to entry into the executive search industry and new executive search firms continue to enter the market. Many executive search firms have a smaller client base than H&S and therefore may be subject to fewer blocking arrangements than H&S. See "-- Restrictions Imposed by Blocking Arrangements." There can be no assurance that H&S will be able to continue to compete effectively with existing or potential competitors or that significant clients or prospective clients of H&S will not decide to perform executive search services using in-house personnel. See "The Company--Competition."

## IMPLEMENTATION OF ACQUISITION STRATEGY

H&S's ability to grow and remain competitive may depend on its ability to consummate strategic acquisitions of other executive search firms. Although H&S evaluates possible acquisitions on an ongoing basis, there can be no assurance that H&S will be successful in identifying, competing for, financing and completing such acquisitions. An acquired business may not achieve desired levels of revenue, profitability or productivity or otherwise perform as expected. Client satisfaction or performance problems at a single acquired firm could have a material adverse effect on the Company. In addition, growth through acquisition of existing firms involves risks such as diversion of management's attention, difficulties in the integration of operations, difficulties in retaining personnel, increased blocking conflicts or liabilities not known at the time of acquisition, possibly including adverse tax and accounting impacts (such as the effects on earnings resulting from increased goodwill). Some or all of such factors could have material adverse effects on H&S's business, results of operations and financial condition. The Company may finance any future acquisitions in whole or in part with Common Stock (which could result in dilution to purchasers of Common Stock offered hereby), indebtedness, or cash. The Company's ability to finance acquisitions using Common Stock may be dependent upon the market price of the Common Stock, and a drop in the market price of the Common Stock may have the effect of precluding it from accomplishing certain desirable acquisitions. See "The Company--Key Competitive Strengths."

## ABILITY TO ACHIEVE AND MANAGE GROWTH

The Company has experienced and may continue to experience significant growth in its revenue and employee base. The Company's growth has placed, and may in the future continue to place, a significant strain on its administrative, operational and financial resources. The Company anticipates that, if successful in expanding its business, the Company will be required to recruit and hire additional consultants and certain new administrative and other personnel to support its operations. Failure to attract and retain such additional personnel could have a material adverse effect on the Company and its growth. In addition, the initial costs of recruiting such professionals may not be offset by increased revenues. Moreover, the Company may open offices in new geographic locations, which would entail certain start-up and maintenance costs that could be substantial. To manage its growth successfully, the Company will also have to continue to improve and upgrade its financial, accounting and information systems, controls and infrastructure as well as hire, train and manage additional employees. In the event the Company is unable to upgrade its financial controls and accounting and reporting systems adequately to support its anticipated growth, the Company's business, results of operations and financial condition could be materially adversely affected.

## RELIANCE ON INFORMATION MANAGEMENT SYSTEMS

H&S's success depends in large part upon its ability to store, retrieve, process and manage substantial amounts of information. To achieve its operational goals and to remain competitive, H&S believes that it must continue to improve and upgrade its information management systems, which will require the licensing of third

party software or the development, either internally or through engagement of third parties, of new proprietary software and systems. See "Use of Proceeds." Any failure in the implementation of IGIS, the Company's strategic technology initiative, including H&S's inability to license, design, develop, implement and utilize, in a cost-effective manner, improved information systems that provide the capabilities necessary for H&S to compete effectively, or any interruption or loss of H&S's information processing capabilities, for any reason, could have a material adverse effect on H&S's business, results of operations and financial condition. See "The Company--Assignment Research and Information Management."

#### YEAR 2000 COMPLIANCE

While the Company believes its information systems will be able to accommodate the "Year 2000" dating changes necessary to permit correct recording of year dates for 2000 and later years, the Company has formed a task force to evaluate and correct its Year 2000 issues. The initial assessment indicates that the Company does not have a significant Year 2000 issue, and management believes that the cost of addressing its Year 2000 issues will not be material. The Company is pursuing Year 2000 certification for its existing information systems and is currently conducting its own tests of these systems. The Company believes that it will be able to achieve Year 2000 compliance by the end of the second quarter of 1999, and does not anticipate any material disruption in its operations as the result of any failure by the Company to be in compliance, although no assurance to such effect can be given. The Company depends on third party vendors for a number of functions, including its automated payroll functions and is seeking certification from such vendors of their Year 2000 compliance. Any difficulties with Year 2000 compliance may have an adverse effect on the Company's operations.

#### EXECUTIVE SEARCH LIABILITY RISK

Executive search firms are exposed to potential claims with respect to the executive search process. A client could assert a claim for such matters as breach of a blocking arrangement or confidentiality agreement or for presenting a candidate who proves to be unsuitable for the position filled. In addition, a candidate could assert an action against H&S for failure to maintain the confidentiality of the candidate's employment search or for alleged discrimination or other violations of employment law by H&S or a client of H&S. The Company maintains professional liability insurance in such amounts and with such coverages and deductibles as management believes are adequate. There can be no assurance, however, that the Company's insurance will cover all such claims or that its insurance coverage will continue to be available at economically feasible rates. See "Business--Insurance."

#### VOTING CONTROL BY CURRENT STOCKHOLDERS

Immediately following the completion of the Offering, the current stockholders of H&S, all of whom are currently senior employees of the Company, will be the beneficial owners of \_\_\_\_\_ shares of Common Stock, not including any shares that the current stockholders may purchase in the Offering, representing approximately \_\_\_\_\_ % of the then issued and outstanding Common Stock. Immediately after the Offering, such stockholders will continue to have sufficient voting power to elect the entire Board of Directors of H&S and, in general, to determine (without the consent of H&S's other stockholders) the outcome of any corporate transaction or other matter submitted to the stockholders for approval, including mergers, consolidations and the sale of all or substantially all of H&S's assets, and also the power to prevent or cause a change in control of H&S.

#### SOCIAL, POLITICAL AND ECONOMIC RISKS AFFECTING MULTINATIONAL OPERATIONS

For 1997 and 1996, 40.6% and 38.4%, respectively, of the Company's revenues were generated from outside the United States. H&S offers its services in 28 countries from 54 offices around the world. The Company is exposed to the risk of changes in social, political and economic conditions inherent in foreign operations. In particular, the Company conducts business in various countries where the systems and bodies of commercial law and trade practices arising thereunder are evolving. Commercial laws in such countries are often vague, arbitrary,

contradictory, inconsistently administered and retroactively applied. Under such circumstances, it is difficult for the Company to determine with certainty at all times the exact requirements of such local laws. Failure of the Company to remain in compliance with local laws could have a material adverse impact on H&S's prospects, business, results of operations and financial condition. In addition, the global nature of the Company's operations poses various challenges to the Company's management and its financial, accounting and other systems which, if not satisfactorily met, could have a material adverse impact on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### ANTITAKEOVER PROVISIONS

Certain provisions of the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation") and Bylaws (the "Bylaws") and Delaware laws may make the acquisition of control of the Company in a transaction not approved by the Company's Board of Directors more difficult or expensive. For example, the Delaware takeover statute limiting transactions with "interested stockholders" applies to the Company and the Company's Certificate of Incorporation and Bylaws provide for a classified board of directors, limitations on the removal of directors, limitations of stockholder action and advance notification procedures. These provisions could discourage an acquisition attempt or other transactions in which stockholders might receive a premium over the then current market price for the Common Stock. See "Comparison of Stockholder Rights--The Delaware General Corporation Law."

#### MANAGEMENT DISCRETION CONCERNING USE OF PROCEEDS

Most of the net proceeds of the Offering have not been designated for specific uses, and management will have substantial discretion in using the proceeds of the Offering.

#### NO PRIOR MARKET FOR COMMON STOCK; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to the Offering, there has been no public market for the Common Stock, and there can be no assurance that an active market will develop or be sustained after the completion of the Offering. Consequently, the initial public offering price of the Common Stock was determined by negotiations among H&S and the Underwriters. See "Underwriting" for a description of the factors considered in determining the initial public offering price.

The market price of the Common Stock may be significantly affected by, and could be subject to significant fluctuations in response to, such factors as H&S's operating results, changes in any earnings estimates publicly announced by H&S or by securities analysts, announcements of significant business developments by H&S or its competitors, other developments affecting H&S, its clients, or its competitors, and various factors affecting the executive search industry, the financial markets or the economy in general, some of which may be unrelated to H&S's performance. In addition, the stock market has experienced a high level of price and volume volatility, and the market prices for the stock of many companies, especially companies that have recently completed initial public offerings, have experienced a high level of price and volume volatility not necessarily related to the operating performance of such companies. Because the number of shares of Common Stock offered hereby is small relative to the number of publicly traded shares of many other companies, and because all existing H&S stockholders have agreed not to sell, contract to sell or otherwise dispose of any Common Stock currently owned by them for two years after the Offering, the market price of the Common Stock may be more susceptible to fluctuation.

#### ABSENCE OF DIVIDENDS

The Company intends to retain all of its earnings for the future operation and expansion of its business and does not anticipate paying cash dividends on its Common Stock at any time in the foreseeable future. See "Dividend Policy."

## DIVIDEND POLICY

The Company does not intend to pay any cash dividends for the foreseeable future but instead intends to retain earnings, if any, for the future operation and expansion of the Company's business. Any determination to pay dividends in the future will be at the discretion of the Company's Board of Directors and will be dependent upon the Company's results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors deemed relevant by the Board of Directors. The Company's revolving credit facility prohibits the Company from declaring and paying cash dividends on the Common Stock. Future indebtedness and loan facilities also may prohibit or restrict the ability of the Company to pay dividends and make distributions to its stockholders.

CAPITALIZATION

The following table sets forth (i) the capitalization of H&S Inc. at March 31, 1998 on an actual basis, (ii) the capitalization of the combined Company on a pro forma basis to reflect, among other matters, the Merger and (iii) the capitalization of the Company on a pro forma as adjusted basis to reflect the foregoing matters as well as (a) receipt by the Company of the net proceeds from the sale of shares of Company Common Stock in the Offering at an assumed initial public offering price of \$ per share (after deducting underwriting discounts, commissions and estimated offering expenses) and (b) the application of the net proceeds therefrom. This table should be read in conjunction with the Consolidated Financial Statements of the Company and the Notes thereto and the Unaudited Pro Forma Condensed Consolidated Data and the Notes thereto included elsewhere in the Prospectus.

	AT MARCH 31, 1998		
	H&S INC. ACTUAL	COMPANY PRO FORMA (1)	COMPANY PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
Cash and cash equivalents.....	\$14,944	\$ 17,122	\$
Total debt(2).....	\$ 1,601	\$ 1,729	\$
Mandatorily redeemable common stock(3).....	48,293	--	--
Stockholders' equity:			
Common Stock, without par value, shares authorized, shares issued and outstanding as adjusted(4).....	--	81,957	--
Preferred Stock.....	--	--	--
Shares authorized--None, shares as adjusted			
Shares issued and outstanding--None			
Additional paid-in capital.....	--	--	--
Cumulative translation adjustment.....	--	(1,369)	--
Unrealized gain unavailable for sale investments.....	--	2,206	--
Treasury stock.....	--	(15,178)	--
Retained earnings.....	--	22,531	--
Total stockholders' equity.....	--	90,147	--
Total capitalization.....	\$49,894	\$ 91,876	\$

- (1) For a discussion of the pro forma adjustments, see "Unaudited Pro Forma Condensed Consolidated Data" on page 21.
- (2) Excludes current maturities of \$5,956 for H&S Inc. and \$16,210 for Company pro forma. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."
- (3) H&S Inc.'s Common Stock and HSI's Class A Common Stock are subject to mandatory repurchase agreements which require the classification of such Common Stock as Mandatorily Redeemable Common Stock. These agreements will terminate upon consummation of the Offering and the Common Stock will be reclassified as Stockholders' equity.
- (4) Does not include up to shares that may be purchased by certain employees of the Company under the GlobalShare Plan pursuant to the Employee Share Purchase, up to shares issuable pursuant to options, grants of restricted stock and restricted stock units that may be granted under the GlobalShare Plan to such employees in connection with the Employee Share Purchase and approximately shares to be issued to other employees at completion of the Offering. Does not include shares of Common Stock available for future issuance under the Company's incentive plans.



UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma condensed consolidated financial data of the Company give effect to (i) the Merger as described below, (ii) the amendment of the Mulder acquisition agreement, (iii) the implementation of the Company's stock option plan for managing partners and corporate officers, (iv) the consolidation of the historical consolidated financial data of Mulder prior to the acquisition of Mulder by HSI and (v) the termination of the mandatory redemption feature of the common stock of each of H&S Inc. and HSI. The pro forma data is presented as if the above transactions had occurred on January 1, 1997 for the statement of operations and related data and on March 31, 1998 for balance sheet data.

The unaudited pro forma condensed consolidated statement of operations data for the year ended December 31, 1997 reflects the results of operations of HSI, and H&S Inc. for the year then ended and Mulder for the nine months ended September 30, 1997. The historical results of operations of Mulder have been included in HSI's financial statements subsequent to the date of the acquisition.

This unaudited pro forma condensed consolidated data assume that the Merger is effected by the exchange of \_\_\_\_\_ shares of HSI Common Stock for each share of H&S Inc., and that \_\_\_\_\_ shares of HSI Common Stock are issued in exchange for all outstanding shares of H&S Inc. upon which HSI Common Stock becomes the Common Stock of the Company. This is a fixed exchange ratio agreed upon by HSI and H&S Inc. The Merger will be accounted for as a reverse acquisition, as the stockholders of H&S Inc. will own a majority of the outstanding shares of the Common Stock of the Company upon completion of the transaction. Accordingly, for accounting purposes, HSI is treated as the acquired company and H&S Inc. is considered to be the acquiring company. Prior to the Merger, H&S Inc. owned 35.5417% of all outstanding HSI Common Stock. The acquisition by H&S Inc. of the remaining 64.4583% of HSI will be recorded using the purchase method of accounting. The difference between the fair value of HSI and HSI book value (the "Excess Purchase Price") will be allocated first among identifiable tangible and intangible assets and then any residual value will be recorded as goodwill.

The purchase price of HSI to H&S Inc. is based upon (i) the ownership in the Company upon completion of the Merger of holders of HSI shares immediately prior to the Merger and (ii) the fair market value of the Company after the Merger based on the initial public offering price of the Common Stock less an appropriate illiquidity discount. For purposes of this pro forma information, the fair market value of HSI is based on an assumed initial public offering price of \$ \_\_\_\_\_ per share. If the initial public offering price of the Company's Common Stock used in these pro forma financial statements were assumed to increase by \$1 per share, the impact would be to increase annual intangible and goodwill amortization and decrease net income by \$ \_\_\_\_\_ million (\$ \_\_\_\_\_ per share).

The unaudited pro forma condensed consolidated financial data are a presentation of historical results with accounting adjustments. The unaudited pro forma condensed consolidated financial data do not reflect, except as indicated in the accompanying notes, the effects of any of the anticipated changes to be made by the Company in its operations from the historical operations, are presented for informational purposes only and should not be construed to indicate (i) the results of operations or the consolidated financial position of the Company that actually would have occurred had the transactions described above been consummated as of the dates indicated or (ii) the results of operations or the consolidated financial position of the Company in the future.

The following unaudited pro forma condensed consolidated financial data and accompanying notes are qualified in their entirety by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the consolidated financial statements and notes thereto of H&S Inc., HSI and Mulder and the other historical consolidated financial information included elsewhere in this Prospectus.

SELECTED UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA

	YEAR ENDED	THREE MONTHS	
	DECEMBER 31,	ENDED MARCH 31,	
	1997	1997	1998
(IN THOUSANDS EXCEPT PER SHARE, SHARE AND OTHER OPERATING DATA)			
STATEMENT OF OPERATIONS DATA(1):			
Revenue.....	\$284,792	\$57,926	\$73,990
Operating expenses:			
Salaries and employee benefits(2) (3).....	193,637	39,879	52,082
General and administrative expenses(4).....	71,104	14,628	19,164
Total operating expenses.....	264,741	54,507	71,246
Operating income.....	20,051	3,419	2,744
Non-operating income (expense):			
Interest income.....	1,622	146	155
Interest expense.....	(309)	(29)	(56)
Other.....	1,159	108	(476)
Total non-operating income (expense).....	2,472	225	(377)
Equity in net income of affiliate(5).....	--	--	--
Minority interest in income of consolidated subsidiaries.....	(26)	--	--
Income before income taxes.....	22,497	3,644	2,367
Provision for income taxes(6).....	12,227	1,851	1,017
Net income.....	\$ 10,270	\$ 1,793	\$ 1,350
Basic and diluted earnings per common share....	\$	\$	\$
Basic and diluted weighted average common shares outstanding.....			
BALANCE SHEET DATA (AT END OF PERIOD) (7):			
Working capital.....			\$13,675
Total assets.....			186,957
Long-term debt, less current maturities.....			1,729
Total stockholders' equity.....			90,147
OTHER OPERATING DATA:			
Number of offices at the end of the period....	51	43	51
Average number of consultants during the period.....	254	236	293

(1) 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 and paid \$8.7 million to the partners of Mulder, and incurred \$1.1 million of associated transaction costs. An additional \$5.2 million (plus interest at an annual percentage rate of 4%) is due to the partners of Mulder in five equal annual installments beginning October 1, 1998. The remaining shares are to be issued in four annual installments beginning January 1, 1999. Because the total purchase price was contingent upon the continued employment of 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 on July 2, 1998. The Mulder acquisition agreement was modified such that the remaining \$5.2 million (plus interest) will be paid within 90 days of the completion of the Merger and 27,080 shares of Common Stock that will be valued, based on an assumed initial offering price, at \$ million will be issued to such Mulder partners immediately after the Merger. All employment contingencies relating to the Mulder consultants will be eliminated. The following accounts in the statement of operations have been adjusted by the following amounts to reflect the historical operations of Mulder prior to the Mulder acquisition.

	YEAR ENDED	THREE MONTHS ENDED
	DECEMBER 31, 1997	MARCH 31, 1997
	-----	-----

Revenue.....	\$21,816	
Operating expenses		
Salaries and employee benefits.....	14,610	
General and administrative		
expenses.....	5,557	
Non-operating income.....	406	
Provision for income taxes.....	1,668	
	-----	
Net income.....	387	
	=====	

- (2) Amortization of deferred compensation expense of \$1.4 million relating to the acquisition of Mulder has been eliminated from salaries and employee benefits for the periods ending December 31, 1997 and March 31, 1998. Under the amendment to the Mulder acquisition agreement, the remaining \$24.1 million of the \$28.4 million of compensation, based upon an assumed initial offering price, will be expensed in the third quarter of 1998 contingent upon the completion of the Merger.
- (3) Adjustments have been made to eliminate from salaries and employee benefits, compensation expense representing the difference between amounts actually paid over amounts that would have been paid under the Company's proposed stock option plan for managing partners and corporate officers had such plan been in effect beginning January 1, 1997. The eliminations are as follows:

PERIOD -----	ELIMINATION -----
Three months ended March 31, 1997.....	\$1,000
Year ended December 31, 1997.....	\$4,000
Three months ended March 31, 1998.....	\$1,100

- (4) Adjustments have been made to reflect the impact of allocating the Excess Purchase Price to intangible assets and goodwill of HSI, and are subject to change based upon the final determination of the respective fair values of these assets. For the year ended December 31, 1997, \$2.0 million of amortization related to acquired intangibles and goodwill has been charged to general and administrative expenses. For the three months ended March 31, 1997 and 1998, \$500 of amortization related to acquired intangibles and goodwill has been charged to general and administrative expenses.
- (5) Equity in net income of affiliate has been eliminated from H&S Inc. for all periods shown to reflect 100% ownership of HSI after the Merger.
- (6) Adjustments are made to the provision for income taxes to reflect the increased income tax liability resulting from the corresponding increase in income before income taxes because of the compensation adjustment discussed in footnote 3 above and the elimination of the equity in net income of affiliate as discussed in footnote 5 above, as follows:

PERIOD -----	EQUITY IN NET INCOME OF AFFILIATE ADJUSTMENT	COMPENSATION ADJUSTMENT
	-----	-----
Three months ended March 31, 1997.....	\$ (63)	\$ 420
Year ended December 31, 1997.....	\$ (154)	\$1,680
Three months ended March 31, 1998.....	\$ 143	\$ 462

- (7) See the Unaudited Pro Forma Condensed Consolidated Balance Sheet on page 21 for further details regarding pro forma balance sheet adjustments.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
AT MARCH 31, 1998

	HSI	H&S INC.	MERGER ADJUSTMENTS	PRO FORMA REFLECTING MERGER	CONTRACT AMENDMENT ADJUSTMENTS	COMPANY PRO FORMA
(IN THOUSANDS)						
<b>Current assets:</b>						
Cash and cash equivalents.....	\$ 7,616	\$ 14,944	\$ --	\$ 22,560	\$ (5,438) (2)	\$ 17,122
Accounts receivable, net of allowance.....	26,456	39,152	(1,072) (1)	64,536	--	64,536
Notes receivable from affiliates.....	--	5,148	(5,148) (1)	--	--	--
Other current assets...	4,717	10,239		14,956	--	14,956
Property and equipment, net.....	10,831	17,433	--	28,264	--	28,264
<b>Other assets:</b>						
Cash and investments designated for nonqualified retirement plan.....	--	12,023	--	12,023	--	12,023
Investment in HSI.....	--	6,439	(6,439) (1)	--	--	--
Goodwill.....	454	--	24,693 (1)	25,147	--	25,147
Deferred compensation expense.....	7,345	--		7,345	(7,345) (2)	--
Intangibles.....	--	--	16,501 (1)	16,501	--	16,501
Other non-current assets.....	4,140	2,551	1,717 (1)	8,408	--	8,408
<b>Total other assets....</b>	<b>11,939</b>	<b>21,013</b>	<b>36,472</b>	<b>69,424</b>	<b>(7,345)</b>	<b>62,079</b>
<b>Total assets.....</b>	<b>\$61,559</b>	<b>\$107,929</b>	<b>\$30,252</b>	<b>\$199,740</b>	<b>\$ (12,783)</b>	<b>\$186,957</b>
<b>Current liabilities:</b>						
Short-term debt.....	\$10,254	\$ 5,956	\$ --	\$ 16,210	\$ --	\$ 16,210
Income taxes payable...	5,392	141	--	5,533	--	5,533
Accounts payable.....	3,917	2,700	(1,072) (1)	5,545	--	5,545
<b>Accrued expenses</b>						
Salaries and employee benefits.....	8,033	31,468	--	39,501	--	39,501
Other accrued expenses.....	10,522	5,628	--	16,150	--	16,150
Note payable to affiliate.....	5,148	--	(5,148) (1)	--	--	--
Long-term debt, less current maturities.....	128	1,601	--	1,729	--	1,729
Liability for nonqualified retirement plans.....	--	12,142	--	12,142	--	12,142
Commitments and contingent liabilities.	--	--	--	--	--	--
Mandatorily redeemable common stock.....	12,380	48,293	42,257 (1)	102,930	(12,783) (2) (90,147) (3)	--
<b>Stockholders' equity....</b>	<b>5,785</b>	<b>--</b>	<b>(5,785) (1)</b>	<b>--</b>	<b>90,147 (3)</b>	<b>90,147</b>
<b>Total liabilities and stockholders' equity.</b>	<b>\$61,559</b>	<b>\$107,929</b>	<b>\$30,252</b>	<b>\$199,740</b>	<b>\$ (12,783)</b>	<b>\$186,957</b>

(1) These pro forma adjustments reflect the impact of allocating the Excess Purchase Price to intangibles and goodwill of HSI, and are subject to change based upon the final determination of the respective fair values of the assets. The Excess Purchase Price is assumed to be \$41,194, based on an assumed initial offering price of \$ and takes into account the elimination of a deferred tax liability of \$1,717. This Excess Purchase Price has been allocated to identifiable intangibles and goodwill as follows:

ASSET CLASSIFICATION	FAIR MARKET VALUE	REMAINING USEFUL LIFE IN YEARS
Intangible Assets.....	\$16,501	12
Goodwill.....	24,693	40
	-----	
Total Excess Purchase Price.....	\$41,194	
	=====	

The preliminary allocations of the Excess Purchase Price are based upon current estimates and information available to H&S Inc. In determining the foregoing estimated useful lives, management considered the nature, competitive position of the Company, and historical and expected future operating income. After the Merger, the Company will continually review whether subsequent events and circumstances have occurred that indicate the intangibles or goodwill may not be recoverable. If events and circumstances indicate that intangibles or goodwill related to the acquired business should be reviewed for possible impairment, the Company will use projections to assess whether future operating income of the business, on a non-discounted basis (before amortization), is likely to exceed the amortization over the remaining life of the intangibles or goodwill, to determine whether a write-down of intangibles or goodwill to recoverable value is appropriate.

The ultimate allocation of the Excess Purchase Price to intangibles and goodwill acquired is subject to final determination of the fair value of the assets of HSI. The ultimate allocation of the respective values will be based upon the report of a professional appraiser that will be completed in connection with the consummation of Merger. H&S Inc. management believes that the above preliminary allocations of the purchase price are reasonable and will not materially change.

The pro forma adjustments include the elimination of H&S Inc.'s investment in HSI. In addition, \$6,220 of intercompany debt and payables were also eliminated. As of March 31, 1998, there were no other intercompany transactions that required elimination.

- (2) The amendment of the Mulder acquisition agreement resulted in the following adjustments to HSI historical amounts:
  - (i) Cash has been adjusted by \$5,438 to reflect the cash consideration to be paid for Mulder.
  - (ii) Mandatorily redeemable common stock has been increased by \$12,773 to account for shares to be issued to Mulder partners and reduced by \$25,556 to eliminate the one-time compensation charge.
  - (iii) Deferred compensation expense has been reduced by \$7,345 to eliminate the asset due to the recording of the one-time compensation charge above.
- (3) Reflects reclassification of H&S Inc.'s mandatorily redeemable common stock of \$90,147 to stockholders equity as the mandatory redemption feature of the common stock will terminate upon consummation of the Offering.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below for each of the five years in the period ended December 31, 1997 have been derived from the respective audited consolidated financial statements of H&S Inc. and HSI which in the case of HSI were audited by Barbier Frinault & Associates (Arthur Andersen LLP), independent public accountants, and in the case of H&S Inc. were audited for fiscal years 1994 through 1997 by Arthur Andersen LLP, independent public accountants and for 1993 by McGladrey & Pullen, LLP, independent public accountants. The selected consolidated financial data for the three months ended March 31, 1998 and 1997 were derived from the respective unaudited consolidated financial statements of H&S Inc. and HSI, which in the opinion of management, reflect all adjustments necessary, which consist only of normal recurring adjustments, for a fair presentation of the interim period financial data. The results for the three months are not necessarily indicative of the results to be expected for the full year. The data set forth are qualified in their entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, the notes thereto and the other financial data and statistical information included in this Prospectus.

The table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," H&S Inc.'s, HSI's and Mulder's Financial Statements, related notes and other financial information included elsewhere in this Prospectus.

SELECTED FINANCIAL DATA

H&S INC.

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1996	1997	1997	1998
(IN THOUSANDS, EXCEPT PER SHARE, SHARE AND OTHER OPERATING DATA)							
STATEMENT OF OPERATIONS							
DATA:							
Revenue.....	\$77,990	\$96,127	\$108,685	\$137,665	\$180,244	\$39,973	\$45,937
Operating expenses:							
Salaries and employee benefits.....	53,402	66,379	77,215	98,272	125,308	28,693	34,761
General and administrative expenses.....	15,420	19,078	20,853	28,681	42,991	9,840	10,349
Total operating expenses.....	68,822	85,457	98,068	126,953	168,299	38,533	45,110
Operating income.....	9,168	10,670	10,617	10,712	11,945	1,440	827
Non-operating income (expense):							
Interest income.....	320	808	1,156	1,385	1,586	146	155
Interest expense.....	(184)	(180)	(207)	(180)	(150)	(29)	(56)
Other income (expense).....	71	89	108	(94)	486	70	(364)
Total non-operating income (expense).....	207	717	1,057	1,111	1,922	187	(265)
Equity in net income (loss) of affiliate....	725	1,252	778	775	367	150	(341)
Income before income taxes.....	10,100	12,639	12,452	12,598	14,234	1,777	221
Provision for income taxes.....	4,356	6,297	6,094	6,149	7,589	887	106
Net income.....	\$ 5,744	\$ 6,342	\$ 6,358	\$ 6,449	\$ 6,645	\$ 890	\$ 115
Basic and diluted earnings per common share.....			\$	\$	\$	\$	\$



Weighted average common  
shares outstanding....

=====  
=====  
=====  
=====  
=====

BALANCE SHEET DATA (AT  
END OF PERIOD):

Working capital.....	\$13,024	\$13,549	\$ 17,193	\$ 20,628	\$ 24,768	\$21,524	\$23,590
Total assets.....	41,139	45,058	55,900	68,643	93,892	81,447	107,929
Long-term debt, less current maturities....	1,562	735	1,189	993	1,636	985	1,601
Mandatorily redeemable common stock.....	17,892	25,818	31,700	39,373	47,606	40,513	48,293

OTHER OPERATING DATA:

Number of offices (at end of period).....	16	18	20	25	28	25	28
Average number of consultants during the period.....	94	108	119	137	159	152	178

SELECTED FINANCIAL DATA

HSI

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1996	1997	1997	1998
(IN THOUSANDS, EXCEPT PER SHARE, SHARE AND OTHER OPERATING DATA)							
STATEMENT OF OPERATIONS DATA:							
Revenue.....	\$30,513	\$39,634	\$52,815	\$64,558	\$82,732	\$17,953	\$28,053
Operating expenses:							
Salaries and employee benefits.....	18,688	24,299	35,249	44,020	59,139	12,186	19,841
General and administrative expenses.....	8,985	10,212	14,264	17,100	20,556	4,288	8,315
Total operating expenses.....	27,673	34,511	49,513	61,120	79,695	16,474	28,156
Operating income.....	2,840	5,123	3,302	3,438	3,037	1,479	(103)
Non-operating income (expense).....	(477)	(366)	338	133	144	38	(112)
Minority interest in income of consolidated subsidiaries.....	(107)	(222)	--	--	(26)	--	--
Income (loss) before income taxes.....	2,256	4,535	3,640	3,571	3,155	1,517	(215)
Provision for income taxes.....	650	1,886	1,840	1,430	1,444	607	306
Net income (loss).....	\$ 1,606	\$ 2,649	\$ 1,800	\$ 2,141	\$ 1,711	\$ 910	\$ (521)
Basic and diluted earnings per common class A shares.....			\$	\$	\$	\$	\$
Weighted average class A common shares outstanding.....							
Basic and diluted earnings per common class B shares.....			\$	\$	\$	\$	\$
Weighted average class B common shares outstanding.....							
BALANCE SHEET DATA (AT END OF PERIOD):							
Working capital.....	\$ 4,478	\$ 7,908	\$ 7,777	\$ 9,345	\$ (2,114)	\$10,190	\$ (4,477)
Total assets.....	15,273	21,998	25,756	32,851	59,947	29,644	61,559
Long-term debt, less current maturities....	59	--	--	267	368	--	128
Mandatorily redeemable common stock.....	4,019	6,166	8,323	9,922	12,577	10,382	12,380
Total stockholders' equity.....	3,112	4,757	5,758	6,440	6,548	6,392	5,785
OTHER OPERATING DATA:							
Number of offices (at end of period).....	10	12	13	16	23	18	23
Average number of consultants during the period.....	51	55	59	71	95	84	115

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

The following discussion of the historical results of operations and liquidity and capital resources of H&S Inc. and HSI should be read in conjunction with the Selected Combined Financial Data and the Audited Consolidated Financial Statements of H&S Inc., HSI and Mulder and related notes thereto appearing elsewhere in this Joint Consent Statement/Prospectus. After the Merger, the Company will continue to function much as HSI and H&S Inc. functioned in concert prior to the Merger. In this Joint Consent Statement/Prospectus, the term "Company" is used both to refer to the historic collective operations of HSI and H&S Inc. and to the anticipated operations of the Company after the Merger.

GENERAL

The Company is one of the leading global executive search firms and believes that, based on revenues, it is the largest executive search firm in the United States and the second largest in the world. The Company offers and conducts executive search services through its global network of offices to a broad range of clients, including Fortune 500 companies, major non-U.S. companies, middle market and emerging growth companies, governmental and not-for-profit organizations, and other leading private and public entities.

Throughout their history, H&S Inc. and HSI have operated as a single entity, and from the time of founding in 1953 until 1984, operated under a single ownership structure. In 1984, H&S Inc. consummated a spin-off of HSI to its European partners while retaining a significant equity interest. H&S Inc. and HSI plan to consummate the Merger immediately prior to the completion of the Offering in order to reunite the two companies into a single ownership structure. The selected financial data set forth herein reflects the historical operations of each of H&S Inc. and HSI.

Pursuant to their focused growth strategies, H&S Inc. and HSI each completed an acquisition in the past year. In June 1998, H&S Inc. acquired Fenwick a Boston-based executive search firm focused on the technology sector. In October 1997, HSI acquired Mulder, the largest executive search firm in Germany. Both acquisitions were accounted for using the purchase method of accounting, with the results of the acquired companies included in H&S Inc.'s and HSI's respective consolidated statements of income beginning on the date of each acquisition.

With 54 offices in 28 countries, the Company conducts 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 of the valuation of such assets or liabilities.

REVENUE

The Company's revenue is derived from providing executive search services to its clients, and is largely a function of average revenue per consultant and the average number of consultants employed (based on number of months employed during the period). Average revenue per consultant is a function of the number of searches performed per consultant and the average fee earned per search. Revenue largely consists of executive search fees (net of value added taxes in Europe) and allocated costs. Allocated costs include charges for communication expenses, research related materials, duplicating and similar items.

Revenue from executive search services is recognized when such services are billed to clients and substantially rendered. Typically, the Company is paid an initial retainer for its services equal to approximately one-third of the estimated guaranteed first year cash compensation for the position to be filled. In addition, if the actual cash compensation of a placed candidate exceeds the retainer estimate, the Company will bill the client for one-third of the excess. Allocated costs are calculated as a percentage of the expected search fee for an assignment with certain dollar caps per search. The Company generally bills its clients for its initial retainer and allocated costs in one-third increments over a 90-day period commencing in the month of the initial acceptance or confirmation of the contract by its client.

With respect to each executive search assignment, the Company and its client enter into a contract, which outlines the general terms and conditions of the assignment. These contracts generally are cancelable at the option of either party with compensation payable pro rata for the first 90 days.

As newly-hired consultants require a large initial investment in signing bonuses, guaranteed bonuses and support staff and do not tend to immediately provide proportionately higher revenues, the Company's average revenue per consultant and overall profitability are typically negatively impacted in the short term.

#### OPERATING EXPENSES

The Company's operating expenses are divided into two general categories: (i) salaries and employee benefits and (ii) general and administrative expenses.

Salaries and employee benefits. The largest components of the Company's operating expenses are compensation and benefits paid to consultants, executive officers and administrative and support personnel, of which the most important constituent parts are salaries and annual bonuses. Other items included in this category are signing bonuses and guaranteed bonuses (often incurred in connection with the hiring of new consultants), payroll taxes, profit sharing and retirement benefits and employee insurance benefits. In recent quarters the Company has hired a larger than normal number of consultants, which has resulted in a higher than normal level of signing bonuses and guaranteed bonuses. A consultant's base salary represents, on average, less than one-half of the consultant's total annual compensation. Typically, a portion of the credit for a particular assignment goes to the consultants who originate the executive search assignment, and a portion goes to the consultants who perform the executive search assignment. In addition, a portion of each consultant's annual compensation is based on management's assessment of that consultant's teamwork.

General and administrative expenses. The key components of general and administrative expenses include rent, information systems costs, general office expenses and professional service costs (including legal, accounting and third party professional services). In addition, general and administrative expenses include depreciation, amortization and allowance for doubtful accounts.

#### NON-OPERATING INCOME (EXPENSE)

Non-operating income (expense) consists of interest income, interest expense and other income and expenses.

#### EQUITY IN NET INCOME (LOSS) OF AFFILIATE

H&S Inc. holds a significant interest in HSI. For H&S Inc., equity in net income (loss) of affiliate relates to the income earned or loss incurred from H&S Inc.'s investment in HSI after giving effect to currency translation adjustments.

#### TAXES

H&S Inc. and HSI are subject to federal, state and non-U.S. income taxes. Income generated outside of the United States may be subject to higher tax rates than U.S. income. As a result, the Company's effective tax rate may be higher than prevailing U.S. tax rates. Historically, certain non-deductible expenses have increased the Company's effective tax rate. H&S Inc.'s and HSI's provisions for income taxes reflects their best judgment as to the likely effective tax rate for a given period. In recent periods, due to volatility in their actual effective income tax rates, HSI has elected to increase its provision for income taxes while H&S Inc. has elected to decrease its provision for income taxes.

#### YEAR 2000 COMPLIANCE

While the Company believes its information systems will be able to accommodate the "Year 2000" dating changes necessary to permit correct recording of year dates for 2000 and later years, the Company has formed a

task force to evaluate and correct its Year 2000 issues. The initial assessment indicates that the Company does not have a significant Year 2000 issue, and management believes that the cost of addressing its Year 2000 issues will not be material. The Company is pursuing Year 2000 certification for its existing information systems and is currently conducting its own tests of these systems. The Company believes that it will be able to achieve Year 2000 compliance by the end of the second quarter of 1999 and does not anticipate any material disruption in its operations as the result of any failure by the Company to be in compliance, although no assurance to such effect can be given. The Company depends on third party vendors for a number of functions, including its automated payroll functions and is seeking certification from such vendors of their Year 2000 compliance. Any such difficulties with Year 2000 compliance may have an adverse effect on the Company's operations.

#### RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

During 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes new standards for reporting information about operating segments in interim and annual financial statements. It is effective for annual periods beginning after December 15, 1997 and will be adopted by the Company as of December 31, 1998. The Company does not expect that adoption of this Standard will have an impact on its consolidated financial position or its results of operations. However, it is expected that adoption of this Standard will result in additional footnote disclosure.

During 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," which establishes new standards for reporting information about derivatives and hedging. It is effective for periods beginning after June 15, 1999 and will be adopted by the Company as of January 1, 2000. The Company expects that adoption of this Standard will have no effect on its consolidated financial position, results of operations or on disclosures within the financial statements as they currently do not engage in the use of derivative instruments or other hedging activities.

#### RESULTS OF OPERATIONS--H&S INC.

The following table sets forth selected statements of operations data for H&S Inc., and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
Revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Salaries and employee benefits.....	71.0	71.4	69.5	71.8	75.7
General and administrative expenses.....	19.2	20.8	23.9	24.6	22.5
Total operating expenses.....	90.2	92.2	93.4	96.4	98.2
Operating income.....	9.8	7.8	6.6	3.6	1.8
Non-operating income (expense):					
Interest income.....	1.1	1.0	0.9	0.4	0.3
Interest expense.....	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Other income (expense).....	0.1	(0.1)	0.3	0.2	(0.8)
Total non-operating income (expense).....	1.0	0.8	1.1	0.5	(0.6)
Equity in net income (loss) of affiliate.....	0.7	0.6	0.2	0.4	(0.7)
Income before income taxes.....	11.5	9.2	7.9	4.5	0.5
Provision for income taxes.....	5.6	4.5	4.2	2.2	0.2
Net Income.....	5.9%	4.7%	3.7%	2.3%	0.3%

THREE MONTHS ENDED MARCH 31, 1998 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1997

Revenue. H&S Inc. revenue increased \$5.9 million, or 14.9% to \$45.9 million for the first quarter of 1998 from \$40.0 million for the first quarter of 1997. This increase was due to a 17.3% rise in the average number of consultants employed during the period. H&S Inc. employed 26 more consultants at March 31, 1998 than at March 31, 1997. Average revenue per consultant remained relatively constant despite the large number of consultants added in the last quarter of 1997 and in the first quarter of 1998. Three new offices were opened after the first quarter of 1997: Miami, Philadelphia, and Sao Paulo, which generated approximately \$1.3 million of revenue in the first quarter of 1998.

Salaries and employee benefits. H&S Inc. salaries and employee benefits increased \$6.1 million, or 21.1%, to \$34.8 million for the three months ended March 31, 1998 from \$28.7 million for the three months ended March 31, 1997. As a percentage of revenues, salaries and employee benefits increased from 71.8% to 75.7%. A majority of this percentage increase was due to signing bonuses and guaranteed bonuses associated with the hiring of 34 new consultants between April 1, 1997 and March 31, 1998, consistent with H&S Inc.'s growth strategy. H&S Inc. also added 25 associates and 45 administrative personnel, in part to support these consultants.

General and administrative expenses. H&S Inc. general and administrative expenses increased \$500,000, or 5.2%, to \$10.3 million for the three months ended March 31, 1998 from \$9.8 million for the three months ended March 31, 1997. As a percentage of revenues, general and administrative expenses decreased from 24.6% for the three months ended March 31, 1997 to 22.5% for the three months ended March 31, 1998. This percentage decrease was primarily due to a reduction in the allowance for doubtful accounts to more appropriately accrue in accordance with historical collection experience. This percentage decrease was partly offset by an increase in maintenance and installation expenses and technical support expenses associated with IGIS.

Non-operating income (expense). H&S Inc. non-operating expense increased \$452,000 resulting in a net non-operating loss of \$265,000 for the three months ended March 31, 1998 from a net non-operating gain of \$187,000 for the three months ended March 31, 1997. The increase is primarily due to a loss on the sale of certain computer equipment replaced by new computers in connection with IGIS.

1997 COMPARED TO 1996

Revenue. H&S Inc. revenue increased \$42.5 million, or 30.9%, to \$180.2 million for 1997 from \$137.7 million for 1996. This increase was primarily the result of a 16.1% increase in the average number of consultants employed during the year and an increase of 12.8% in the average revenue per consultant to \$1.1 million from \$1.0 million in 1996. H&S Inc. employed 26 more consultants at December 31, 1997 than at December 31, 1996. In addition three new offices were added during 1997: Miami, Philadelphia and Sao Paulo, which generated approximately \$1.5 million of revenue.

Salaries and employee benefits. H&S Inc. salaries and employee benefits increased \$27.0 million, or 27.5%, to \$125.3 million for 1997 from \$98.3 million for 1996. As a percentage of revenues, salaries and employee benefits decreased from 71.4% to 69.5%, reflecting increased search team productivity as revenues increased relatively faster than staffing levels. This improvement occurred despite an increase of approximately \$833,000 in H&S Inc.'s contributions to the employee 401(k) plan.

General and administrative expenses. H&S Inc. general and administrative expenses increased \$14.3 million, or 49.9%, to \$43.0 million for 1997 from \$28.7 million for 1996. As a percentage of revenues, general and administrative expenses increased from 20.8% in 1996 to 23.9% in 1997. This percentage increase was principally relating to research and development in connection with the IGIS initiative.

Non-operating income (expense). H&S Inc. non-operating income increased \$800,000 to \$1.9 million for 1997 from \$1.1 million for 1996. The increase was primarily due to the absence of certain losses incurred in 1996 as a result of H&S Inc.'s relocation of corporate offices in Chicago, partially offset by an increase in interest income reflecting higher cash balances during the year.

1996 COMPARED TO 1995

Revenue. H&S Inc. revenue increased \$29.0 million, or 26.7% to \$137.7 million for 1996 from \$108.7 for 1995. This increase was primarily due to a 15.1% increase in the average number of consultants employed and an increase of 10.1% in the average revenue per consultant to \$1.0 million in 1996 from \$915,000 in 1995. H&S Inc. employed 23 more consultants at December 31, 1996 than at December 31, 1995. H&S opened five new offices in 1996 in Caracas, Charlotte, Lima, Santiago and Singapore, which resulted in a \$1.5 million increase in revenue between 1995 and 1996.

Salaries and employee benefits. H&S Inc. salaries and employee benefits increased \$21.1 million, or 27.3% to \$98.3 million for 1996 from \$77.2 million in 1995. As a percentage of revenues, salaries and employee benefits increased slightly from 71.0% to 71.4%. This percentage increase primarily reflects increased signing bonuses and guaranteed bonuses associated with hiring 33 consultants in 1996 as compared with hiring 22 in 1995.

General and administrative expenses. H&S Inc. general and administrative expenses increased \$7.8 million, or 37.5%, to \$28.7 million for 1996 from \$20.9 for 1995. As a percentage of revenues, general and administrative expenses increased from 19.2% in 1995 to 20.8% in 1996. This percentage increase was primarily due to: (i) an increase in the reserve for doubtful accounts and (ii) an increase in professional services costs due to increased legal fees relating to a litigation matter and increased consulting fees relating to an information technology analysis.

Non-operating income (expense). H&S Inc. non-operating income remained relatively constant at \$1.1 million for both 1996 and 1995. The primary component was interest income, which increased slightly to \$1.4 million for 1996 from \$1.2 million for 1995. This increase was offset by asset write-offs for 1996 relating to the relocation of H&S Inc.'s corporate offices.

RESULTS OF OPERATIONS--HSI

The following table sets forth selected statements of operations data for HSI, and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
Revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Salaries and employee benefits .....	66.7	68.2	71.5	67.9	70.7
General and administrative expenses....	27.0	26.5	24.8	23.9	29.6
Total operating expenses.....	93.7	94.7	96.3	91.8	100.3
Operating income (loss).....	6.3	5.3	3.7	8.2	(0.3)
Non-operating income (loss).....	0.6	0.2	0.2	0.2	(0.4)
Minority interest in income of consolidated subsidiaries.....	0.0	0.0	0.0	0.0	0.0
Income (loss) before income taxes.....	6.9	5.5	3.9	8.4	(0.7)
Provision for income taxes.....	3.5	2.2	1.7	3.4	1.1
Net income (loss).....	3.4%	3.3%	2.2%	5.0%	(1.8)%

THREE MONTHS ENDED MARCH 31, 1998 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1997

Revenue. HSI revenue increased \$10.1 million, or 56.3% to \$28.1 million for the three months ended March 31, 1998 from \$18.0 million for the three months ended March 31, 1997. A significant reason for this increase

was the acquisition of Mulder in the fourth quarter of 1997, which had \$5.1 million in revenues for the three months ended March 31, 1998. Excluding Mulder, revenue increased by 28.1%, primarily as a result of a 21.0% increase in the average number of consultants employed during the period. Two new offices were opened after the first quarter of 1997: Lisbon and Prague, which generated approximately \$0.5 million of revenue in the first quarter of 1998. Average revenue per consultant, excluding Mulder, remained relatively constant.

Salaries and employee benefits. HSI salaries and employee benefits increased \$7.6 million to \$19.8 million for the first three months ended March 31, 1998 from \$12.2 million for the first three months ended March 31, 1997. As a percentage of revenues, salaries and employee benefits increased from 67.9% for the period ended March 31, 1997 to 70.7% for the period ended March 31, 1998. Approximately \$1.4 million of such increase was due to the amortization of deferred compensation expense resulting from the Mulder acquisition. The remainder of this increase primarily reflects the compensation expense relating to the addition of professional and administrative support throughout Europe, including Mulder.

General and administrative expenses. HSI general and administrative expenses increased \$4.0 million to \$8.3 million for the three months ended March 31, 1998 from \$4.3 for the three months ended March 31, 1997. As a percentage of revenues, general and administrative expenses increased from 23.9% at March 31, 1997 to 29.6% at March 31, 1998. This increase was primarily the result of an increase in the provision for doubtful accounts and increases in system development costs due to the development of enhancements to HSI's executive search system.

Non-operating income (expense). HSI non-operating expense increased \$150,000 to a net non-operating loss of \$112,000 for the three months ended March 31, 1998 from a net non-operating gain of \$38,000 for the three months ended March 31, 1997. The increase was primarily due to an increase in interest expense related to borrowings on HSI's line of credit, borrowings by HSI from H&S Inc. and lower interest income as a result of reduced cash balances, all resulting from the use of available funds for the Mulder acquisition and the funding of employee bonuses paid in March and purchases of certain property and equipment.

#### 1997 COMPARED TO 1996

Revenue. HSI revenue increased \$18.1 million, or 28.2%, to \$82.7 million for 1997 from \$64.6 for 1996. A significant reason for the increase was the acquisition of Mulder in the fourth quarter of 1997 which contributed revenue of \$5.7 million in 1997. Excluding Mulder, revenue increased by 19.2%, primarily as a result of a 29.2% increase in the average number of consultants employed during the period. HSI employed 26 more consultants at December 31, 1997 as compared to December 31, 1996. Excluding the impact of currency exchange rate fluctuations, the average revenue per consultant increased slightly from 1996 to 1997. In addition to Mulder, three new offices were added in 1997: Oslo, Lisbon and Prague which generated approximately \$1.9 million in revenue.

Salaries and employee benefits. HSI salaries and employee benefits increased \$15.1 million, or 34.3% to \$59.1 million for 1997 from \$44.0 million in 1996. As a percentage of revenue, salaries and employee benefits increased from 68.2% to 71.5%. This percentage increase was primarily due to approximately \$2.4 million of additional compensation and benefits to administrative and support staff resulting from the hiring of new employees in connection with the development of enhancements to HSI's executive search system.

General and administrative expenses. HSI general and administrative expenses increased \$3.5 million, or 20.2% to \$20.6 million for 1997 from \$17.1 million for 1996. As a percentage of revenue, general and administrative expenses declined from 26.5% to 24.8%. This decline was due primarily to a reduction in the provision for doubtful accounts and growth in revenue outpacing increases in rent, telecommunications and other costs.

Non-operating income expenses. HSI non-operating income increased by \$11,000 to \$144,000 from \$133,000 for 1996.



## 1996 COMPARED TO 1995

Revenue. HSI revenue increased \$11.8 million, or 22.2% to \$64.6 million for 1996 from \$52.8 for 1995. The increase was primarily the result of a 20.3% increase in the average number of consultants employed and a 1.6% increase in average revenue per consultant. HSI employed 5 more consultants at December 31, 1996 than at December 31, 1995. Two new offices were added in 1996: Amsterdam and Copenhagen, which generated approximately \$1.4 million in revenue.

Salaries and employee benefits. HSI salaries and employee benefits increased \$8.8 million or 24.9%, to \$44.0 million for 1996 from \$35.2 million in 1995. As a percentage of revenue, salaries and employee benefits increased from 66.7% to 68.2%. This percentage increase primarily reflects the addition of 38 employees and the fact that performance bonuses were paid at a higher percentage of revenues.

General and administrative expenses. HSI general and administrative expenses increased \$2.8 million, or 19.9%, to \$17.1 million for 1996 from \$14.3 million for 1995. As a percentage of revenue, general and administrative expenses declined from 27.0% to 26.5%.

Non-operating income (expense). HSI non-operating income decreased \$205,000 to \$133,000 for 1996 from \$338,000 for 1995. The decrease was due in part to reduced interest income on cash balances.

## NONRECURRING AND OTHER CHARGES

During the third quarter ending September 30, 1998, the Company will incur certain nonrecurring charges net of income taxes, totaling \$ million. These charges arise in connection with (i) the modification of the terms of the Mulder acquisition agreement and (ii) the early settlement of certain profit sharing arrangements in connection with the acquisition of certain Latin American offices.

The Company has agreed to modify the terms of the Mulder agreement, resulting in a nonrecurring charge expected to total \$ million, net of income taxes. See Note 11 of "Heidrick & Struggles International, Inc. and Subsidiaries--Notes to Consolidated Financial Statements." This charge represents the prepayment of the purchase price of \$ million and will be recorded as compensation expense. This nonrecurring charge (calculated as of September 30, 1998) represents the write-off of \$5.9 million of deferred compensation assets and a cash payment of \$5.4 million and the issuance of 27,080 shares of common stock (\$ based on assumed initial public offering price of \$ per share) to the previous owners of Mulder.

On September 1, 1996, the Company acquired certain Latin American offices for a purchase price of \$609,000. The acquisition agreement called for the sellers, who joined the Company as consultants, to receive, in addition to salary and bonus, approximately 60% of future pre-tax profit from certain operations net of certain corporate overhead. The Company intends to adjust these consultants' compensation to be consistent with the consultant compensation paid by the Company to all other consultants and in exchange for a payment of \$ , to allocate all future profits to the Company. This payment will be recorded as compensation expense in the third quarter of 1998.

## LIQUIDITY AND CAPITAL RESOURCES

H&S Inc. and HSI periodically evaluate their liquidity requirements, capital needs and availability of capital resources in view of plans for expansion and other operating cash needs. Both H&S Inc. and HSI have historically financed their operations primarily through internally generated funds, supplemented by sales of common stock to certain key employees and periodic borrowings under their respective credit facilities. H&S Inc. and HSI have accrued employee bonuses throughout the year. H&S Inc. has paid such bonuses in December, and HSI has paid such bonuses in December and March.

The Company believes that the net proceeds from the Offering and related sales of shares to employees pursuant to the GlobalShare Plan, together with funds expected to be generated from operations and its lines of credit, will be sufficient to finance the Company's operations for the foreseeable future. If the Company undertakes significant acquisitions, however, it may need access to additional sources of debt or equity financing.

## H&S Inc.

H&S Inc. maintained cash and cash equivalents at December 31, 1996 and 1997, and at March 31, 1998, totalling \$7.2 million, \$10.1 million and \$14.9 million, respectively. Towards these sums, cash flows from operating activities contributed \$5.6 million in 1996 and \$6.7 million in 1997 reflecting principally net income from operations. Cash flows from operating activities contributed \$7.3 million for the three months ended March 31, 1998, reflecting an increase in accrued expenses of \$11.7 million, principally due to accruals for bonuses.

Cash flows from financing activities were \$610,000, \$6.0 million, and \$1.6 million for 1996 and 1997 and the three months ended March 31, 1998, respectively. H&S Inc.'s financing activities consist principally of sales of its common stock to employees net of repurchase obligations and borrowings under its credit facility. H&S Inc.'s long-term debt consists of amounts payable to former shareholders from whom H&S Inc. has repurchased stock.

H&S Inc. has a \$25 million reducing revolving credit facility expiring on September 30, 2001. The \$25 million line of credit reduces annually by \$5 million on September 30, 1998, 1999 and 2000. There was \$3.5 million outstanding under the line of credit at December 31, 1997 and \$5.1 million outstanding at March 31, 1998. These borrowings bear fixed interest at the then existing LIBOR or prime rate, at H&S Inc.'s discretion at the time of borrowing. At December 31, 1997, the interest rate on the debt was the prime rate, 8.5%. At March 31, 1998, the interest rate on the debt was fixed at approximately 6.7%. The line of credit has certain financial requirements H&S Inc. must meet relating to net worth, liabilities and cash flows. As of December 31, 1997 and March 31, 1998, H&S Inc. met all of its financial requirements. H&S Inc. is required to pay commitment fees on the unused portion of the line of credit on a quarterly basis. Outstanding borrowings under this facility bear interest at the prime rate or LIBOR, at the option of H&S Inc. See Note 5 to Consolidated Financial Statements.

Capital expenditures amounted to \$6.7 million, \$5.7 million, and \$3.4 million for 1996 and 1997 and the three months ended March 31, 1998, respectively. These expenditures consisted primarily of system development costs, office furniture and fixtures, leasehold improvements and computer equipment and software. The system development costs relate primarily to H&S Inc.'s IGIS initiative. IGIS expenditures of \$1.2 million in 1997 and \$2.4 million for the three months ended March 31, 1998 have been capitalized. Additional capital expenditures of \$11.8 million are expected to be made through the end of the first quarter of 1999 and will begin to be amortized in the second quarter of 1999.

## HSI.

HSI maintained cash and cash equivalents at December 31, 1996 and 1997, and at March 31, 1998, amounting to \$8.2 million, \$8.1 million and \$7.6 million. Towards these sums, cash flows from operating activities contributed \$6.3 million in 1996 and \$6.9 million in 1997, principally reflecting increases in working capital, non-cash expenses for depreciation and amortization and net income offset by accruals for bonuses in connection with the Mulder acquisition.

Cash flows from financing activities were \$331,000, \$9.7 million and \$7.2 million, respectively for 1996 and 1997 and March 31, 1998, respectively. Borrowings during 1997 increased significantly in connection with certain payments to finance the Mulder acquisition. Borrowings during the first quarter of 1998 principally reflect funding of employee bonuses paid in March and the purchase of certain property and equipment. HSI's financing activities include borrowings and payments on its credit facility, purchase and sales of its common stock to employees and borrowings under a loan agreement with H&S.

HSI's long-term debt consists of amounts payable to former shareholders who have sold their stock back to HSI. To provide additional liquidity, HSI negotiated a multicurrency line of credit of \$9.9 million, denominated in ECU expiring on July 1, 2002. The interest rate on this credit line is LIBOR plus 1%. The interest rate at December 31, 1997 was 7.2%. The total outstanding balance was \$7,639 and \$9,779 at December 31, 1997 and March 31, 1998, respectively. Investments greater than \$2 million and sales of significant German assets are prohibited without prior written approval of the banks.

Capital expenditures totaled \$2.0 million, \$6.0 million and \$1.7 million for 1996 and 1997 and March 31, 1998, respectively. These expenditures consisted primarily of purchases of office furniture and fixtures, computer equipment and software. Additionally, HSI made payments of \$10.2 million in cash and stock in connection with the Mulder acquisition during 1997.

## THE COMPANY

After the Merger, the Company will continue to function much as HSI and H&S Inc. functioned in concert prior to the Merger. In this Joint Consent Statement/Prospectus, the term "Company" is used both to refer to the historic collective operations of HSI and H&S Inc. and to the anticipated operations of the Company after the Merger.

### GENERAL

Heidrick & Struggles International, Inc. is one of the leading global executive search firms and believes that, based on revenues, it is the largest executive search firm in the United States and the second largest in the world. With over 45 years of experience in fulfilling its clients' leadership needs, H&S offers and conducts executive search services in nearly every major business center in the world. The Company's services focus on the identification, evaluation and recommendation of qualified candidates for senior level executive positions. Through its worldwide network of approximately 700 professionals in 54 offices, H&S provides executive search services to a broad range of clients, including Fortune 500 companies, major non-U.S. companies, middle market and emerging growth companies, governmental and not-for-profit organizations and other leading private and public entities. Taken together, the combined worldwide revenues of H&S Inc. and HSI have grown from \$108.5 million in 1993 to \$263.0 million in 1997, a compound annual growth rate of approximately 25%.

### EXECUTIVE SEARCH INDUSTRY OVERVIEW

Executive search firms are generally separated into two broad categories: retained search firms and contingency search firms. Retained search firms fulfill their clients' senior leadership needs by working on a consultative basis with clients in identifying, evaluating, assessing and recommending qualified candidates for senior level positions, typically with annual cash compensation of \$100,000 and above. Retained firms generally are compensated for their services whether or not they are successful in placing a candidate, and are generally retained on an exclusive basis. On the other hand, contingency search firms focus primarily on mid-level positions with annual cash compensation of less than \$150,000. Contingency firms are compensated only upon successfully placing a recommended candidate and are generally not hired on an exclusive basis or involved in the evaluation, assessment or recommendation of candidates. Both types of firms are normally paid a fee for their services equal to approximately one-third of the first year total cash compensation for the position being filled.

According to Kennedy Information LLC ("Kennedy"), a leading industry source, revenue in the executive search industry historically has been divided almost evenly between retained and contingency search firms; however, retained search firms are estimated by Kennedy to employ only one-third of the consultants in the industry. Thus, the average revenue per consultant for retained firms generally is substantially higher than for contingency firms.

Worldwide executive search industry revenue has grown at a 20% compound annual growth rate from approximately \$3.5 billion in 1993 to approximately \$7.3 billion in 1997 according to Kennedy. The executive search industry is highly fragmented, consisting of more than 4,000 executive search firms worldwide. According to Kennedy's Executive Recruiter News ("ERN"), more than 80% of retained firms and approximately 90% of contingency firms generated less than \$2 million in revenues in 1997.

H&S believes that a number of favorable trends are contributing to the growth of the executive search industry, including the following:

**Increased Competition for Executive Talent.** Historically, it was typical for executives to spend an entire career with one or two organizations. However, in today's rapidly changing business environment, companies have been aggressively seeking outside talent and, as a result, successful executives are often recruited by a number of different organizations in various geographic locations over the course of their careers. This increase in competition for management talent and the resulting executive turnover has forced many companies to seek

assistance in recruiting executives on a more frequent basis. Increased competition has also caused compensation levels for executives to increase considerably over the past several decades. According to a study published in 1997 by William M. Mercer, Incorporated, a leading compensation consulting firm, the average annual cash compensation for CEOs, CFOs and COOs grew at compound annual growth rates of 5.7%, 4.2% and 3.1%, respectively, between 1992 and 1996. This increase in executive compensation, among other factors, has caused many companies to be more rigorous in their hiring practices, often retaining an executive search firm to assist in the identification and evaluation of qualified candidates. Because fees for executive search firms are based on cash compensation, higher cash compensation levels have translated into higher executive search fees.

Greater Acceptance by Corporate Leadership of the Use of Executive Search Consultants. The influence of a number of factors, including larger institutional shareholdings, a rise in shareholder activism and a greater concern for corporate governance have led many boards of directors and company management teams to expect that their choices of senior executives will be under greater scrutiny than was the case in the past. As a result of these trends, many boards of directors and company management teams hire outside executive search firms to advise them with respect to their selection and recruitment of executives.

Increased Globalization of Business. The increasing globalization of business has created demand, particularly from multinational enterprises, for executives in parts of the world in which such enterprises do not have significant prior operating experience. Because the process of identifying and evaluating candidates across national borders can be difficult, these enterprises have turned to executive search firms for assistance.

Increased Demand for Executive Search Services by Start-up and Newly-acquired Companies. The recent growth in the amount of capital available for investment in start-up companies and for acquisitions has created a need for talented executives to manage these entities. The activities of private equity investors and venture capital firms have been accelerating at such a pace that they often find it difficult to identify leaders for the companies in which they invest, and these investors have often sought the services of executive search firms to aid them in this task.

Greater Need for Executives with Diverse Leadership Skills. In response to a rapidly changing business environment, companies are setting more stringent hiring standards for senior executives. The process of identifying and evaluating such executives is therefore becoming more difficult and, as a result, companies are increasingly relying on executive search firms to help them meet their leadership needs.

Reduction in Number of Layers of Management. The recent trend of corporate "right-sizing" by eliminating certain layers of management at a number of companies has effectively reduced the pool from which such companies can draw talented managers. In lieu of the traditional practice of grooming leaders from within, companies have increasingly used executive search firms to find appropriate talent from outside their organization.

#### KEY COMPETITIVE STRENGTHS

The Company believes that it possesses several key competitive strengths which position it to capitalize on the growing demand for its services. These strengths include the following:

Experienced Team of Executive Search Consultants. H&S believes that its consultants are among the most experienced within the executive search industry. As of June 30, 1998, the Company employed approximately 320 consultants who, on average, have approximately 11 years of experience in executive search and 9 years of experience in other industries. H&S believes that this depth of experience is a prerequisite to the effective performance of senior level executive searches. The Company attributes its success in attracting and retaining such high caliber consultants to its premier reputation, unique team oriented culture and performance-based compensation system. The Company believes that its attractiveness as an employer is reflected in its low turnover rate among its consultants. For the period from January 1, 1995 through June 30, 1998, an annual average of fewer than 1.5% of H&S's consultants have left to work elsewhere in the executive search industry. Under the

Company's compensation system, a portion of the bonus for a particular assignment goes to the consultants who originate the executive search assignment, and a portion goes to the consultants who perform the executive search assignment. In addition, a portion of each consultant's annual compensation is based on management's assessment of that consultant's teamwork. This compensation component encourages the Company's consultants to work as a team and is part of the reason that 61% of the executive searches performed in 1997 by H&S were shared by two or more consultants. The incentive to utilize the differing talents of the Company's consultants means that those who originate an assignment outside of their area of expertise often bring that assignment to those with a specific industry or functional skill to execute the search.

Global Presence. The Company's 54 offices are located in major business centers in 28 countries around the world. The Company's global presence enables it to serve the needs of multinational companies and local businesses worldwide, and provides it with access to an international network of candidates and referral sources. The Company's offices in North America, Europe, Asia Pacific and Latin America employ 161, 125, 21 and 15 consultants, as of June 30, 1998, respectively, and generated 1997 revenues of \$159 million, \$83 million, \$13 million and \$8 million, respectively. The Company's global reach allows it to benefit from the increasing globalization of business and the demand, particularly from multinational enterprises, for assistance in identifying and evaluating candidates for executive positions across national borders.

Emphasis on Senior Level Executive Search. H&S is an industry leader in placing senior level executives within the world's largest and most complex organizations. Approximately 39% of the executive searches performed by the Company worldwide (and approximately 50% of the searches performed in North America) in 1997 were for CEOs, presidents, CFOs, COOs, CAOs, CIOs, members of boards of directors and other senior management positions (such as division heads). These senior level executive searches generally provide a higher level of revenue per search and result in greater visibility with the Company's clients and within the executive search industry. The Company believes that performing senior level, high profile executive search assignments: (i) strengthens its brand name recognition and contacts with leading decision makers, referral sources and high caliber candidates; (ii) enhances H&S's ability to secure other senior level executive searches and (iii) enables the Company to attract and retain highly qualified consultants.

Industry Practice Groups and Functional Specialties. H&S's business is organized around seven core industry practice groups, each focused on a specific industry. These core industry practice groups are international technology, industrial, consumer products, financial services, health care, professional services and higher education/not-for-profit. Certain H&S consultants also specialize in searches for functional positions such as members of boards of directors, CEOs, CFOs and CIOs. The Company believes that its operational structure provides its clients with superior executive search services by enabling its consultants to successfully build relationships with candidates and referral sources and to understand its clients' cultures, operations, business strategies and industries. These factors are critical to understanding clients' and candidates' needs and ultimately to the successful placement of a candidate. The Company's industry practice groups and functional specialties emphasize H&S's consultative approach and are designed to build and maintain long-term relationships with its clients.

Global Support Platform. The Company's consultants work with a team of more than 365 associates, as of June 30, 1998, all of whom have access to a sophisticated global technology infrastructure. This technology infrastructure consists of internally developed global databases containing over 650,000 candidate profiles and over 27,000 company records, coupled with a broad range of on-line services and industry reference sources. H&S also deploys advanced Internet-based technology to support the research needs of the Company's professionals. The Company believes that its global support structure enables its professionals to complete searches efficiently and effectively. Given the importance of technology to the search process, H&S is continuing to improve its information management infrastructure by implementing its Integrated Global Information System ("IGIS"), an ongoing strategic technology initiative. IGIS is designed to enhance the functionality, speed and quality of the Company's information management. See "--Assignment Research and Information Management."

## GROWTH STRATEGY

The Company's goal is to be the leading global provider of executive search services while achieving sustainable revenue and earnings growth. The Company pursues a focused growth strategy with the following key elements:

**Expand and Develop Client Relationships.** The Company continually seeks to expand its relationships with existing clients and to develop new client relationships. The Company accomplishes this by continuing to (i) aggressively pursue the highest level executive search assignments, (ii) expand the breadth and depth of its industry practice groups and functional specialties, (iii) offer services across a broadening range of geographic locations by strategically opening offices in cities where H&S is not currently located and (iv) actively recruit consultants who have the demonstrated ability to expand the Company's client base. Historically, the Company has successfully expanded its client base and generated repeat business from existing clients. For example, H&S had approximately 1,800 clients in 1995 and approximately 2,600 in 1997. Of the clients for which the Company performed searches in 1997, 77% had also been clients of the firm between 1994 and 1996. As appropriate, H&S will strategically open new offices in cities where it is not currently located in order to serve the needs of its clients and plans to open one or two offices in each of the next several years. Between 1995 and 1997, including through acquisitions, the Company added 21 offices and 117 consultants.

**Pursue Strategic Acquisitions.** The executive search industry is highly fragmented, consisting of more than 4,000 executive search firms worldwide. The industry has been consolidating in recent years as a number of smaller firms have joined with larger firms in the industry, such as H&S, in order to gain the benefits of superior managerial, financial and technological resources. The Company maintains a focused acquisition strategy designed to acquire executive search firms with complementary corporate cultures in order to increase its penetration in existing and new geographic markets and expand the depth and breadth of its industry practice groups and functional specialties. The Company has completed a number of strategic acquisitions worldwide that are consistent with its acquisition strategy. See "---Recent Acquisitions."

**Enhance Executive Search Professional Productivity.** The Company believes that its consultants generate one of the highest levels of average revenue per consultant in the industry. H&S's consultants generated an average revenue per consultant of \$1.2 million in the U.S. in 1997. H&S believes that its infrastructure can be leveraged to allow for increases in the productivity of its executive search professionals. Specifically, the Company expects that its IGIS initiative will enable H&S's professionals to access a greater amount of information sources more quickly and to perform more sophisticated search functions to help them identify candidates more efficiently and effectively. IGIS will provide the Company with a scalable technology infrastructure that will support a significant number of additional users without significant incremental costs.

## SERVICES

H&S provides executive search services exclusively on a retained basis for a broad range of clients, including Fortune 500 companies, major non-U.S. companies, middle market and emerging growth companies, governmental and not-for-profit organizations and other leading private and public entities.

The H&S executive search process typically consists of the following steps: (i) analyze the client's needs in order to (a) determine the required set of skills for the position, (b) understand its organizational structure, relationships and culture, (c) define the required experience and (d) identify the other characteristics necessary for the successful candidate; (ii) prepare a written position specification that outlines the responsibilities of the position, qualifications required of the ideal candidate, and criteria for success; (iii) share the written specification with (a) other H&S consultants with relevant industry and functional expertise to pinpoint referral sources and candidates and (b) the research team which will identify candidates from a broad range of sources; (iv) identify candidates; (v) interview and evaluate candidates on the basis of experience and potential cultural fit with the client organization; (vi) present confidential written reports on the candidates who most closely fit the position

specification; (vii) schedule a mutually convenient meeting between the client and each candidate; (viii) collect references on the final candidate and (ix) assist in structuring of the compensation package and supporting the successful candidate's integration into the client team.

COMPANY ORGANIZATION

The Company's operational structure is designed to provide high quality executive search services to its clients worldwide. The Company organizes its team of executive search consultants by (i) industry practice groups, (ii) functional specialties and (iii) geography, through its network of offices. On a given search assignment, the Company will generally utilize the expertise of consultants in more than one of its offices, industry practice groups and functional specialties. For example, an executive search for a CIO of a financial services company located in London may involve an executive search consultant in London with an existing relationship with the client, another executive search consultant in New York with expertise in the financial services practice group and a third executive search consultant in Menlo Park with expertise in CIO recruiting. By combining consultants with varying geographic, industry and functional expertise, the Company believes that it can best ensure the successful completion of executive search assignments for its clients.

Industry Practice Groups. The Company's business is organized around seven core industry practice groups, each focused on a particular industry. These core industry practice groups and their relative sizes, as measured by revenues, are as follows:

INDUSTRY PRACTICE GROUP -----	PERCENTAGE OF 1997 REVENUE -----
International Technology.....	24%
Financial Services.....	20
Industrial.....	19
Consumer Products.....	18
Health Care.....	9
Professional Services.....	5
Higher Education/Not-for-Profit.....	1
Other.....	4
	---
	100%

Consultants from each of these industry practice groups can be located in any one of the Company's offices. Certain markets have a significant concentration of companies within particular industry sectors, and the Company has staffed its offices accordingly. For example, the Company's financial services practice group has its largest concentration of consultants in New York and London, the two largest financial centers in the world. Each industry practice group is coordinated by a Practice Managing Partner who (i) establishes marketing and search strategies, (ii) identifies focused accounts and target clients and (iii) facilitates and assists the marketing activities of the consultants in the group. The Company believes that this operational structure provides its clients with superior services by enabling its consultants to successfully build relationships with candidates and referral sources within particular industries and to understand its clients' operations, business strategies and industry dynamics and company culture. H&S believes that these factors are critical to the successful placement of a candidate.

Functional Specialties. H&S recognizes that the task of searching for candidates for certain executive positions often requires specialized skills in much the same way as a search for an executive in a particular industry. As a result, certain H&S consultants specialize in searches for particular positions such as a board of directors member, CEO, CFO or CIO. Typically, a consultant in a particular industry practice group who receives an assignment for a given functional position will consult with one or more colleagues with the appropriate functional expertise throughout the search assignment. This coordination benefits the Company's clients because the best candidate for certain functional positions often will come from a different industry. For example, a client



in the industrial sector seeking a new CIO may benefit from exposure to a candidate whose background is in the health care sector, even though that candidate may be less well known by the members of H&S's industrial practice group. Since the Company's functional specialists tend to have experience with appropriate candidates from many different industries, they can bring experience from a range of industry practice groups to the assignment.

Global Network. H&S is a major executive search presence through its global network of 54 offices located in 28 countries, and offers and conducts executive searches in nearly every major business center in the world. Each office is managed by an Office Managing Partner and staffed with consultants, associates, administrative assistants and other support staff. While central administrative functions are provided by the Chicago office, each region has or will have its own regional manager as well as research and support functions.

The following listing sets forth the regions, countries and locations where HSI and H&S Inc. currently maintain offices:

REGION	COUNTRY	LOCATION
North America	United States	Atlanta, GA
		Boston, MA
		Charlotte, NC
		Chicago, IL
		Cleveland, OH
		Dallas, TX
		Greenwich, CT
		Houston, TX
		Irvine, CA
		Jacksonville, FL
		Los Angeles, CA
		Menlo Park, CA
		Miami, FL
		New York, NY
		Philadelphia, PA
		Route 128, MA
		San Francisco, CA
Tysons Corner, VA		
Washington, DC		
Asia Pacific	Canada	Toronto
	Australia	Sydney
	Hong Kong	Hong Kong
	Japan	Tokyo
	Singapore	Singapore
Latin America	Argentina	Buenos Aires
	Brazil	Sao Paulo
	Chile	Santiago
	Mexico	Mexico City
	Peru	Lima
	Venezuela	Caracas

REGION	COUNTRY	LOCATION
Europe	Belgium	Brussels
	Czech Republic	Prague
	Denmark	Copenhagen
	Finland	Helsinki
	France	Paris
	Germany	Berlin
		Dresden
		Dusseldorf
		Frankfurt
		Hamburg
		Munich (2 offices)
	Italy	Milan
		Rome
	The Netherlands	Amsterdam
	Norway	Oslo
Poland	Warsaw	
Portugal	Lisbon	
Russia	Moscow	

Spain	Barcelona
	Madrid
Sweden	Stockholm
Switzerland	Zurich
United Kingdom	London

#### North America

H&S Inc. has 19 offices in the United States and one in Canada and, as of June 30, 1998, employed a total of 161 consultants in the region. Approximately 60% of the Company's worldwide revenues in 1997 were generated in the United States and Canada. The largest offices in the North American region in terms of revenues are New York, Menlo Park and Chicago. The New York office is a leader of the financial services practice, the Menlo Park office is the center of the Company's international technology practice, and the Chicago office has a

diverse practice which includes a significant concentration of consultants in the industrial and health care practices.

#### Europe

HSI has 24 offices in 16 European countries and, as of June 30, 1998, employed 125 consultants in the region. Approximately 32% of the Company's worldwide revenues in 1997 were generated in Europe. The Company's offices in Germany, the United Kingdom and France generate the highest revenues of the H&S offices in the region. The markets in Germany and the United Kingdom are the two largest executive search markets in Europe, and the Company has a strong market position in both of these countries. In 1997, H&S believes that (with the inclusion of Mulder) it generated more revenue than any other executive search firm in Germany, and, as measured by revenues, was the fourth largest in the United Kingdom. The German practice grew significantly with H&S's 1997 acquisition of Mulder, and presently there are seven H&S offices in Germany. See "--Recent Acquisitions." The United Kingdom office is a leader in financial services placement, largely serving the needs of multinational British financial enterprises based in the City of London.

#### Asia Pacific

H&S Inc. has offices in Sydney, Hong Kong, Tokyo and Singapore and, as of June 30, 1998, employed 21 consultants in the Asia Pacific region. Approximately 5% of the Company's worldwide revenues in 1997 were generated in the Asia Pacific region. The focus of the Company in the Asia Pacific region is to serve the regional needs of multinational corporations headquartered in the United States and Europe.

#### Latin America

H&S Inc. has six offices and, as of June 30, 1998, employed 15 consultants in Latin America. Approximately 3% of the Company's worldwide revenues in 1997 were generated in the Latin American region. Similar to the Company's focus in the Asia Pacific region, the focus of the Company in the Latin American region is to serve the regional needs of multinational corporations headquartered in the United States and Europe.

#### CLIENTS AND MARKETING

The Company has a diverse group of clients in a variety of industries located throughout the world, including Fortune 500 companies, major non-U.S. companies, middle market and emerging growth companies, governmental and not-for-profit organizations and other leading private and public entities. No single client accounted for over 2% of the Company's revenues in 1997. Historically, the Company has been successful both in adding to its client base and in generating repeat business from existing clients. For example, H&S was engaged by approximately 1,800 clients in 1995 and approximately 2,600 in 1997, and, of the clients for which the Company performed searches in 1997, 77% had also been clients of the firm between 1994 and 1996.

The Company's consultants market the firm's executive search services through two principal means: (i) targeted client calling and (ii) industry networking with clients and referral sources. These efforts are assisted by the Company's databases which provide all H&S consultants with up to date information as to contacts made by their colleagues with particular referral sources, candidates and clients.

In addition to its active marketing, the Company benefits from a significant number of referrals generated by its reputation for successfully completed assignments. To build on this advantage, H&S seeks to develop an enhanced awareness of the Heidrick & Struggles brand name. As a result of its efforts, H&S is more frequently invited to make presentations to prospective clients, often competing for executive search engagements with major competitors in the industry. In 1997, H&S succeeded in obtaining executive search engagements from a majority of the presentations in which it participated. The Company publishes a quarterly leadership journal, The Art of Taking Charge, which is distributed to senior executives, featuring interviews with business leaders and publicizes the Company's brand name.

One of the limitations of the firm's marketing is the existence or anticipated existence of blocking arrangements. Either by agreement with clients or for client relations purposes, executive search firms frequently refrain from recruiting employees of a client, and possibly other entities affiliated with that client, for a specified period of time (generally not more than one year). See "Risk Factors--Restrictions Imposed by Blocking Arrangements." H&S actively manages its blocking arrangements and seeks to mitigate adverse effects of blocking by strengthening its long-term relationships with focused accounts. Additionally, in recent years market conditions and industry practices have resulted in blocking arrangements that are becoming narrower in scope and shorter in duration.

#### ASSIGNMENT RESEARCH AND INFORMATION MANAGEMENT

The Company's technology infrastructure consists of internally developed global databases containing over 650,000 candidate profiles and over 27,000 company records, coupled with a broad range of on-line services and industry reference sources. H&S's professionals use the Company's information technology infrastructure to (i) gather business intelligence regarding clients' businesses, industries, competitors and strategies, (ii) develop and manage company and candidate profiles, (iii) identify market needs and new business opportunities and (iv) coordinate and implement marketing, communication, financial and administrative functions. The Company believes that its global support structure allows its professionals to complete searches efficiently and effectively. Given the importance of technology to the search process, H&S is continuing to improve its information management infrastructure by implementing IGIS. IGIS is designed to enhance the functionality, speed and quality of the Company's information management.

IGIS represents a long-term strategic initiative for the deployment of technology and is designed to support rapid growth of the Company. Phase I of IGIS will upgrade the Company's financial management systems and the H&S search system and is expected to be operational in the second quarter of 1999. A PeopleSoft based financial management system will provide a fully integrated worldwide accounting and financial reporting system. An Oracle-based search system will allow H&S consultants to more efficiently and effectively manage complex search assignments, while keeping them informed about client and candidate contacts. The IGIS upgrades will also enhance the ease and speed of use and information processing on the Internet, one of the Company's most valuable information tools. The Company uses Internet technology in three primary ways: (i) as an external source of information through the broad range of online information resources, (ii) through the Company's intranet, as a tool for organizing and accessing its internally generated information, including H&S's proprietary databases and (iii) through the Company's extranet, Heidrick.com, as a means of connecting clients and candidates on a secure network where each can review information about the other. Phase II of IGIS will deploy refinements to the financial and search systems as well as new systems to provide tailored automated data reporting and financial and operating information to the Company's senior managers.

The Company's information technology infrastructure, including IGIS, is overseen by a technology management team led by H&S's Managing Partner of Global Technology. Among other services, this team provides the Company's employees with coordinated training programs. To address issues of data security associated with increasing remote database access, the Company uses password protection and conducts regular security audits. In addition, the Company currently utilizes video-conferencing technology in many of its locations. This technology facilitates candidate interviews and presentations to client search committee members in different locations. The Company intends to continue to develop its technology infrastructure as its and its clients' needs evolve.

#### PROFESSIONAL STAFF AND EMPLOYEES

As of June 30, 1998, H&S Inc. and HSI together had 1,276 full time employees, of which 322 were consultants, 367 were associates and 587 were corporate and support staff. H&S Inc. and HSI together is not a party to any collective bargaining agreement and considers relations with its employees to be good. H&S Inc.'s and HSI's executive search professionals are categorized either as consultants or associates. Associates assist consultants by performing research and other functions.

## COMPETITION

The executive search industry is highly competitive. It is estimated that there are more than 4,000 executive search firms worldwide. There are relatively few barriers to entry and new competitors frequently enter the market. While H&S faces competition to some degree from all firms in the industry, the Company believes its most direct competition comes from other retained search firms. In particular, H&S competes with the largest global search firms: Korn/Ferry International, Russell Reynolds Associates, Inc., SpencerStuart & Associates and Egon Zehnder International. To a lesser extent, H&S also faces competition from smaller boutique or specialty firms that specialize in certain regional markets or industry segments. Each firm with which H&S competes is also a competitor in seeking to attract the most effective consultants. In the Company's experience, the executive search business is more quality-sensitive than price-sensitive. As a result, H&S competes on the level of service it offers, reflected by its industry practice groups, functional specialties and client focus, and, ultimately, on the quality of its search results.

## RECENT ACQUISITIONS

Over the past year, H&S Inc. and HSI have successfully completed the strategic acquisition of two executive search firms:

Fenwick. On June 26, 1998, H&S Inc. acquired Fenwick, a Boston-based executive search firm which employed nine consultants and had fiscal 1997 revenues of \$6.4 million. This transaction expanded the reach of H&S's international technology group into a third key technology center in the United States. Fenwick, based in the "Route 128" technology corridor in Massachusetts, complements the Company's existing offices in Menlo Park, California and Tysons Corner, Virginia which also focus on senior level recruitment for computer hardware and software, telecommunications, engineering and medical electronics companies.

Mulder. On October 1, 1997, HSI acquired Mulder which employed 13 consultants. Prior to the acquisition, Mulder was the largest executive search firm in Germany, as measured by revenues, with \$21.8 million in revenues for the nine months ended September 30, 1997. This transaction immediately positioned the Company as the largest executive search firm in Germany and the second largest in Europe.

## FACILITIES

The Company leases all of its office locations. The aggregate square footage of office space under such leases is approximately 433,830. The leases for these offices call for future minimum lease payments of approximately \$100 million and have terms which will expire between 1998 and 2013 years (exclusive of renewal options exercisable by H&S). H&S believes that its facilities are adequate for its current needs and that it will not have difficulty leasing additional office space to satisfy anticipated future needs.

## INSURANCE

H&S maintains insurance in such amounts and with such coverages and deductibles as management believes are adequate. The principal risks that H&S insures against are professional liability, workers' compensation, personal injury, bodily injury, property damage and fidelity losses. There can be no assurance that the Company's insurance will adequately protect it from potential losses and liabilities. See "Risk Factors--Executive Search Liability Risk."

## LEGAL PROCEEDINGS

From time to time the Company has been involved in litigation incidental to its business. H&S currently is 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 the Company's business, financial condition or results of operations.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The Company's Board of Directors initially will have eleven members, eight of whom will be employees of the Company, and three of whom (to be named later) will be outside directors. In accordance with the Certificate of Incorporation, the members of the Board of Directors will be divided into three classes and will be elected for a term of office expiring at the third succeeding annual shareholders' meeting following their election to office or until a successor is duly elected and qualified. The Certificate of Incorporation also provides that such classes shall be as nearly equal in number as possible. The terms of office of the Class I, Class II, and Class III directors expire at the annual meeting of stockholders in 2001, 2000, and 1999, respectively. The employee directors and executive officers of the Company will be as follows:

NAME	AGE	POSITION WITH COMPANY	DIRECTOR CLASS
Patrick S. Pittard.....	52	President and Chief Executive Officer, Director	
Gerard Clery-Melin.....	53	Chairman of the Board of Directors	
Donald M. Kilinski.....	38	Chief Financial Officer and Treasurer	
Richard D. Nelson.....	58	Chief Administrative Officer, Secretary, and Assistant Treasurer	
Gerard R. Roche.....	67	Senior Chairman, Director	
David C. Anderson.....	56	North America Managing Partner, Director	
Thomas J. Friel.....	50	Asia Pacific Managing Partner, Director	
David B. Kixmiller.....	48	Director	
Dr. Jurgen B. Mulder....	60	Vice Chairman, Director	
Dr. John C. Viney.....	50	Vice Chairman, Director	

PATRICK S. PITTARD will be President and Chief Executive Officer of the Company and a member of the Board of Directors of the Company after the Merger. He has been President and Chief Executive Officer of H&S Inc. since 1997 and has been a member of the Board of Directors of H&S Inc. since 1986. Since joining H&S Inc. in 1983, Mr. Pittard has held the positions of Office Managing Partner for the Atlanta and Jacksonville offices and North America Managing Partner. Mr. Pittard is also a member of the Board of Directors of Jefferson Pilot Corporation.

GERARD CLERY-MELIN will be the Chairman of the Board of Directors of the Company after the Merger. He joined HSI in 1978, served as President of European Operations from 1980 until 1984, and has been President and Chief Executive Officer since 1984. He has been a member of the Board of Directors of HSI since 1978.

DONALD M. KILINSKI will be Chief Financial Officer and Treasurer of the Company after the Merger. He has been Chief Financial Officer of H&S Inc. since he joined H&S Inc. in 1997, and has been Chief Financial Officer and Treasurer of HSI since 1998. Prior to joining H&S Inc., Mr. Kilinski was Chief Financial Officer of BBDO Asia Pacific Ltd. from September 1995 to April 1997, and Vice President of Finance of BBDO Worldwide from July 1992 to August 1995 and from April 1997 through November 1997.

RICHARD D. NELSON will be Chief Administrative Officer, Secretary and General Counsel of the Company after the Merger. He joined H&S Inc. in 1981, has been Chief Administrative Officer, Secretary and General Counsel of H&S Inc. since 1981 and was Chief Financial Officer from 1981 until 1997. He was Treasurer of HSI from 1980 until 1989, and then became Assistant Treasurer. He has also been Secretary and a member of the Board of Directors of HSI since 1980.

GERARD R. ROCHE will be Senior Chairman and a member of the Board of Directors of the Company after the Merger. Mr. Roche joined H&S Inc. in 1964, and has been a member of the Board of Directors of H&S Inc. since 1970. He is also a member of the Board of Directors for Gulfstream Aerospace Corporation.

DAVID C. ANDERSON will be North America Managing Partner and a member of the Board of Directors of the Company after the Merger. Mr. Anderson has been the Office Managing Partner of H&S Inc.'s Dallas office since joining the firm in 1992 and the North America Managing Partner since 1998. He has been a member of the Board of Directors of H&S Inc. since 1992.

THOMAS J. FRIEL will be Managing Partner for Asia Pacific and a member of the Board of Directors of the Company after the Merger. Since joining H&S Inc. in 1979, Mr. Friel has served as Office Managing Partner of H&S Inc.'s Menlo Park office, Worldwide Practice Managing Partner for the International Technology Practice and since 1992 has been Managing Partner for Asia Pacific.

DAVID B. KIXMILLER will be a member of the Board of Directors of the Company after the Merger. Mr. Kixmiller joined H&S Inc. in 1984 and was Office Managing Partner of the Menlo Park Office from 1991 until 1998. He has been a member of the Board of Directors of H&S Inc. since 1987.

DR. JURGEN B. MULDER will be Vice Chairman and a Director of the Company after the Merger. He has been Vice Chairman of HSI since 1997. Prior to joining HSI in 1997, Dr. Mulder was a Partner in Mulder & Partner GmbH & Co. KG., the firm he founded in 1978.

DR. JOHN C. VINEY will be Vice Chairman and Practice Managing Partner for the Global Board of Directors Practice of the Company after the Merger. Dr. Viney joined HSI in 1985 and previously served as Office Managing Partner for the London office. He has been a member of the Board of Directors of HSI since 1987.

#### COMMITTEES

Audit Committee. The Company will establish an Audit Committee consisting of . The duties of the Audit Committee are generally to recommend to the Board of Directors the selection of independent auditors to audit annually the books and records of the Company, to review the activities and the reports of the Company's independent auditors and to report the results of such review to the Board of Directors. The Audit Committee also periodically reviews the activities of the Company's audit staff and the adequacy of the Company's internal controls.

Executive Committee. The Company will establish an Executive Committee consisting of . The duties of the Executive Committee are generally to serve as the Board of Directors during intervals between Board of Directors meetings and also to review, approve and in some instances, make recommendations to the Board of Directors in regard to projects, expenditures and appropriations of the Company and to review the Company's financial arrangements with third parties.

Compensation Committee. The Company will establish a Compensation Committee consisting of . The duties of the Compensation Committee are generally to review employment, development, reassignment and compensation matters involving corporate officers and such other executive level associates as may be appropriate, including, without limitation, issues relative to salary, bonus, stock options and other incentive arrangements.

#### DIRECTOR COMPENSATION

Each member of the Company's Board of Directors who is not also an employee of the Company will be entitled to receive a annual fee of \$ and a \$ fee for each Board of Directors meeting attended. None of the directors who are also employees of the Company will receive any compensation for their services as directors. The Company will reimburse out-of-pocket expenses incurred by all directors in attending Board of Directors and committee meetings.

EXECUTIVE COMPENSATION

The following table sets forth the compensation awarded or paid to, or earned by, the Chief Executive Officer of H&S Inc. and HSI and each of H&S Inc.'s and HSI's other two most highly compensated executive officers during 1997.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION				
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPEN- SATION	RESTRICTED STOCK AWARD (\$)	SECURITIES UNDERLYING OPTIONS (#)	LONG-TERM INCENTIVE PAYOUTS (\$)	ALL OTHER COMPEN- SATION (\$)
Patrick S. Pittard, President and Chief Executive Officer of H&S Inc.....	1997	\$496,833	\$1,070,000	--	--	--	--	\$13,675
Gerard Clery-Melin, President and Chief Executive Officer of HSI.....	1997	218,532	823,794	--	--	--	--	--
Richard D. Nelson, Chief Administrative Officer, Secretary and Counsel of H&S Inc.....	1997	425,000	525,000	--	--	--	--	15,902

Mr. Pittard and Mr. Nelson have agreements with H&S Inc. providing for severance benefits. Mr. Pittard's agreement entitles him to 12 months of his monthly base salary if he is terminated without cause. Mr. Nelson's agreement entitles him to 6 months of his monthly base salary and the pro rata portion of his bonus if his employment is terminated for any reason.

1998 HEIDRICK & STRUGGLES GLOBALSHARE PLAN

Prior to the Offering, the Company will adopt the 1998 Heidrick & Struggles GlobalShare Plan (the "GlobalShare Plan") which will serve as a means to attract, reward, and retain selected partners, principals, consultants, key employees and Directors ("Participants") of the Company and its subsidiaries.

The maximum number of shares of Common Stock reserved for issuance under the Plan is , subject to adjustment for certain anti-dilution provisions. The maximum number of shares of Common Stock for which awards may be granted during a calendar year to any Participant is .

Awards may be in the form of options, which may be Incentive Stock Options ("ISOs") or non-qualified stock options; stock appreciation rights ("SARs") granted as a means to exercise options or designated portions thereof, or as independent awards; or other awards that are valued in whole or in part by reference to, or are otherwise based on, the fair market value of shares. Awards may be paid in shares, cash or a combination thereof.

Administration. The GlobalShare Plan will be administered by the Compensation Committee or the Board of Directors (the "Committee"). The Committee will have the authority to select the participants to be granted awards under the plan, determine the size and terms of an award, and determine the time when grants of awards will be made. The Committee is authorized to interpret the plan, establish, amend and rescind any rules and regulations relating to the plan, and make any other determinations that it deems necessary or desirable for the administration of the plan.



Options. An option may be granted as an ISO, as defined in the Internal Revenue Code of 1986, as amended, or as a non-qualified stock option, as determined by the Committee and as set forth in any applicable award agreement. The option price per share of Common Stock will be determined by the Committee. Options granted under the GlobalShare Plan will be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event will an option be exercisable more than ten years after the date it is granted.

SARs. The Committee may grant an SAR in conjunction with an option or designated portion thereof at the time the related option is granted or at any time prior to the exercise or cancellation of the related option. The exercise price shall be an amount determined by the Committee, but in no event will such amount be less than the greater of (i) the fair market value of a share of Common Stock on the date the SAR is granted or, in the case of an SAR granted in conjunction with an option, or a portion thereof, the option price of the related option, and (ii) an amount permitted by applicable laws, rules, by-laws, or policies of regulatory authorities or stock exchanges.

Upon the exercise of an SAR, the Participant will be entitled to receive, with respect to each share of Common Stock to which such SAR relates, an amount in cash and/or shares of Common Stock, as the case may be, equal to the excess of (i) the fair market value of a share on the date of exercise over (ii) the exercise price of the SAR. The Committee may impose conditions upon the exercisability of SARs.

Other share-based awards. The Committee may grant, in its sole discretion, other awards of shares of Common Stock and Awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, shares of Common Stock ("Other Share-Based Awards"). Certain of such Other Share-Based Awards ("Performance-Based Awards") may be granted on the basis of performance of the Company, stock price, market share, sales, earnings per share, return on equity, costs or other performance goals approved by the Committee.

Exercise of awards. Except as otherwise provided in the plan or in an applicable award agreement, an award may be exercised for all, or any part, of the shares of Common Stock for which it is then exercisable. The purchase price for the shares of Common Stock as to which an award is exercised shall be paid to the Company in full at the time of exercise (i) in cash, (ii) in shares of Common Stock having a fair market value equal to the aggregate option price for the shares of Common Stock being purchased and satisfying such other requirements as may be imposed by the Committee, (iii) partly in cash and partly in such shares of Common Stock, (iv) through the withholding of shares of Common Stock (which would otherwise be delivered to the Participant) with an aggregate fair market value on the exercise date equal to the aggregate option price or (v) through the delivery of irrevocable instructions to a broker to deliver promptly to the Company an amount equal to the aggregate option price for the shares of Common Stock being purchased, in each case, at the election of the Participant.

Transferability. Except to the extent provided by the Committee, each award will be non-transferable during the lifetime of the Participant, otherwise than by will or by the laws of descent and distribution.

Termination, amendment and term. The Board of Directors may suspend, amend or terminate the plan, in whole or in part. No amendment may be made without approval of the shareholders, however, if such approval is required by applicable law. Furthermore, no amendment, suspension or termination of the Plan may, without the consent of a Participant, impair any of the rights or obligations existing under any award previously granted to such Participant under the Plan. No new awards may be granted under the GlobalShare Plan after the tenth anniversary of the plan's adoption.

Adjustments. In the event of any change in the outstanding shares of Company Stock by reason of any Company Stock dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares of Common Stock or other corporate exchange, or any distribution to stockholders of shares of Common Stock other than regular cash dividends, the Committee, in its sole discretion, may make such

substitution or adjustment as it deems to be equitable to any affected terms of such awards. In the event of a change in control of the Company (as defined in the plan) the Committee, in its sole discretion, may take such actions as it deems appropriate, including, without limitation, acceleration or cancellation (in return for cash payment) of awards, or issuance of substitute awards.

Special Investment Opportunity. In connection with the Offering under the GlobalShare Plan, the Board of Directors granted awards to certain Participants who, contemporaneously with the Offering, purchase shares of Common Stock from the Company that will allow such Participants to receive one stock option and one restricted share unit or one share of restricted stock for every two shares that the Participant purchases as well as one additional option for every four shares the Participant purchases. However, such individuals will not receive any options or restricted stock units for any portion of the Participant's share purchase that exceeds 20% of the average of that Participant's 1997 and 1998 cash compensation. The restricted stock units will vest upon five years of continued employment, but may be forfeited prior to vesting, at the Committee's discretion, upon a termination of employment or other specified events. Once a Participant's restricted stock units are fully vested, some Participants will be entitled to receive shares of the Company for each restricted stock unit held, while other Participants will be entitled to receive either shares or a cash payment equivalent to the fair market value of the shares on such vesting date. The options granted pursuant to these awards have a term of ten years, vest in 20% installments over five years commencing five years from the date of the Offering, and will be subject to termination and other provisions as set forth in the applicable award agreements.

#### INSIDER PARTICIPATION IN COMPENSATION DECISIONS

Prior to the Offering, the Company did not have a compensation committee. The Company will establish a Compensation Committee no member of which will be an insider of the Company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of December 31, 1997 by (i) directors of the Company, (ii) each of the named executive officers of the Company, (iii) each person known by the Company to be the beneficial owner of 5% or more of the outstanding shares of Common Stock and (iv) all of the Company's directors and executive officers as a group. Unless otherwise indicated, the Company believes that the beneficial owner has sole voting and investment power over such shares. The table does not reflect the potential sale of additional shares if the Underwriters' over-allotment options are exercised. The table also does not reflect the purchase of any shares pursuant to the GlobalShare Plan. The percentage ownership has been calculated based on \_\_\_\_\_ shares of Common Stock outstanding as of \_\_\_\_\_.

NAME AND ADDRESS OF BENEFICIAL OWNER(1)	OWNERSHIP BEFORE OFFERING		COMMON STOCK BEING SOLD	OWNERSHIP AFTER OFFERING	
	SHARES OF COMMON STOCK	PERCENT OF COMMON STOCK HELD		SHARES OF COMMON STOCK	PERCENT OF COMMON STOCK HELD
	-----	-----	-----	-----	-----
Patrick S. Pittard.....					
Gerard Clery-Melin.....					
Donald M. Kilinski.....					
Richard D. Nelson.....					
Gerard R. Roche.....					
All directors and executive officers of the Company as a group ( _____ persons).....					
Heidrick & Struggles, Inc.....					

\* Represents holdings of less than one percent.

(1) Each of such person's business address is 233 South Wacker Drive--Suite 4200, Chicago, IL 60606.

## COMPARISON OF STOCKHOLDER RIGHTS

The rights of the holders of HSI's Class A Common Stock and Class B Common Stock are currently governed by the restated Certificate of Incorporation of HSI, as amended (the "HSI Certificate of Incorporation"), the restated Bylaws of HSI (the "HSI Bylaws") and the DGCL. The rights of the holders of H&S Inc. Common Stock are presently governed by the Certificate of Incorporation of H&S Inc., as amended (the "H&S Inc. Certificate of Incorporation"), the Bylaws of H&S Inc. (the "H&S Inc. Bylaws") and the DGCL. In connection with the Recapitalizations, the authorized number of shares of Class A Common Stock will be increased to , the authorized number of shares of Class B Common Stock will be increased to and the authorized number of shares of H&S Inc. Common Stock will be increased to . In connection with the Merger, holders of H&S Inc. Common Stock and Class A Common Stock will become stockholders of the Company and the rights of such former H&S Inc. stockholders and the rights of former HSI stockholders will be governed by the HSI Certificate of Incorporation which will be amended pursuant to the Merger Agreement to read in its entirety as Annex I to the Merger Agreement (the "Amended Certificate of Incorporation"), the HSI Bylaws as amended (the "Amended Bylaws") and the DGCL. Following the Effective Time, the Board of Directors of the Company will amend and restate the HSI Bylaws in a form agreed to in advance by HSI and H&S Inc. The Amended Certificate of Incorporation is attached as Annex I to the Merger Agreement which is Annex A to this Joint Consent Statement/Prospectus.

The following summary which does not purport to be a complete statement of the differences among the H&S Inc. Certificate of Incorporation and H&S Inc. Bylaws, the HSI Certificate of Incorporation and the HSI Bylaws and the Amended Certificate of Incorporation and the Amended Bylaws, is qualified in its entirety by reference to the full text of each of such documents and the DGCL.

### COMMON STOCK

Following the Recapitalizations and the Merger, the Amended Certificate of Incorporation will authorize shares of Common Stock, without par value. Following the Merger, the Amended Certificate of Incorporation will no longer provide for Class A Common Stock or Class B Common Stock. Stockholders will be entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of Common Stock will not have cumulative voting rights in the election of directors. Holders of Common Stock will be entitled to receive dividends if, as and when dividends are declared from time to time by the Company's Board of Directors out of funds legally available therefor, after payment of dividends required to be paid on outstanding preferred stock (as described below), if any. In the event of liquidation, dissolution or winding up of the Company, the holders of Common Stock will be entitled to share ratably in all assets remaining after payment of liabilities and accrued but unpaid dividends and liquidation preferences on any outstanding Preferred Stock of the Company. The shares of Common Stock will have no preemptive or conversion rights and will not be subject to further calls or assessment by the Company. There will be no redemption or sinking fund provisions applicable to the Common Stock. The Company Common Stock will be duly authorized, validly issued, fully paid and non-assessable.

### CLASSIFIED BOARD OF DIRECTORS

Section 141(d) of the DGCL provides that a corporation's board of directors may be divided into various classes with staggered terms of offices. The HSI Certificate of Incorporation provides for two Classes of Directors, Class A and Class B, whose terms of offices are not staggered. The holders of the shares of Class A Common Stock and the holders of the shares of Class B Common Stock, voting together, have the right to elect that number of the total number of HSI's directors in excess of two (the "Class A Directors") and the holders of the shares of Class B Common Stock, voting separately, have the right to elect the remaining two directors (the "Class B Directors"). The H&S Inc. Certificate of Incorporation does not provide for a classified board.

Pursuant to the Amended Certificate of Incorporation, the Company's Board of Directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible. As a result,

approximately one-third of the Board of Directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of the Company's Board of Directors. The Company believes that a classified Board of Directors will help to assure the continuity and stability of the Board of Directors and the Company's business strategies and policies, since a majority of the Directors at any given time will have had prior experience as Directors of the Company. The Company believes that this in turn will permit the Board of Directors to represent more effectively the interests of stockholders.

With a classified Board of Directors, at least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of the members of the Board of Directors. As a result, the classification of the Board of Directors of the Company may discourage proxy contests for the election of Directors, unsolicited tender offers or purchases of a substantial block of the Common Stock because it could prevent a potential acquiror from obtaining control of the Board of Directors in a relatively short period of time.

#### NUMBER OF DIRECTORS; FILLING VACANCIES ON THE BOARD OF DIRECTORS

The HSI Bylaws provide that the number of directors shall be seven and shall from time to time be determined by resolution either by the stockholders or the board of directors, but may not be less than four. The H&S Inc. Bylaws provide that the Board of Directors consist of not less than three nor more than one hundred forty directors as determined by majority vote or by unanimous written consent of either the Board of Directors or the Executive Committee of the Board of Directors.

The HSI Bylaws provide that if there is a vacancy or new directorship created by any increase in the number of directors, if such vacancy is in the office of a Class A Director, a majority of the Class A Directors and Class B Directors then in office, though less than a quorum, or if such vacancy is in the office of a Class B Director a majority of the Class B Directors then in office, though less than a quorum, may fill such a vacancy. The H&S Inc. Bylaws provide that if there are no directors in office an election may be held or if the directors in office do not constitute a majority of the whole board, the Court of Chancery may order an election to fill such vacancies, upon application of a stockholder or stockholders holding at least ten percent of the H&S Inc. Common Stock. Vacancies and newly created directorships may be filled by a majority of directors then in office though less than a quorum or by a sole remaining director.

The Amended Certificate of Incorporation provides that the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by directors constituting a majority of the total number of directors that the Company would have if there were no vacancies on the Board of Directors, but must consist of not more than twelve nor less than nine directors. The Amended Certificate of Incorporation provides that, subject to the rights of holders of any shares of Preferred Stock, any vacancy in the Board of Directors that results from an increase in the number of Directors may be filled only by a majority of the Directors then in office, provided that a quorum is present, and any other vacancy may be filled by a majority of the Directors then in office, even if less than a quorum, or by the sole remaining Director. Accordingly, these provisions could temporarily prevent any stockholder from obtaining majority representation on the Board of Directors by enlarging the Board of Directors and filling the new Directorships with its own nominees.

#### REMOVAL OF DIRECTORS

The DGCL provides generally, that any director may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote, unless such corporation's certificate of incorporation provides otherwise or in certain situations in which such board of directors is classified or such certificate of incorporation provides for cumulative voting. The HSI Bylaws provide that the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, acting together, may remove a Class A Director, without cause, at any time, and that the holders of a majority of the outstanding shares of Class B Common Stock acting alone, may remove a Class B director without cause at any time. The H&S Inc. Bylaws and H&S Inc. Certificate of Incorporation are silent on the removal of directors and therefore the DGCL governs their removal.

The Amended Certificate of Incorporation and the Amended Bylaws provide that directors may be removed only for cause and only upon the affirmative vote of holders of at least 75% of the voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class. This provision delays stockholders who do not agree with the policies of the Board of Directors from replacing Directors, unless they can demonstrate that the Directors should be removed for cause and obtain the requisite vote. Such a delay may help ensure that the Company's Board of Directors, if confronted with a proxy contest or an unsolicited proposal for an extraordinary corporate transaction, will have sufficient time to review the proposal and appropriate alternatives to the proposal and to act in what it believes is the best interest of the Company's stockholders.

#### STOCKHOLDERS ACTION

The HSI Bylaws and the H&S Inc. Bylaws provide that unless otherwise provided in their respective certificates of incorporation, any action required or which may be taken at any annual or special meeting of such stockholders may be taken by written consent in lieu of a meeting.

The Amended Certificate of Incorporation and the Amended Bylaws provide that, subject to the rights of any holders of Preferred Stock to elect additional directors under specified circumstances, stockholder action can be taken only at an annual or special meeting of stockholders and may not be taken by written consent in lieu of a meeting. The Amended Bylaws provide that to elect additional directors under specified circumstances, special meetings of stockholders can be called only by the Board of Directors, pursuant to a resolution adopted by a majority of the total number of directors. Stockholders are not permitted to call a special meeting or to require that the Board of Directors call a special meeting of stockholders. Moreover, the business permitted to be conducted at any special meeting of stockholders is limited to the business brought before the meeting pursuant to the notice of meeting given by the Company. The provisions of the Company's Amended Certificate of Incorporation prohibiting action by written consent without a meeting and the provisions of the Company's Bylaws governing the calling of and matters considered at special meetings may have the effect of delaying consideration of a stockholder proposal until the next annual meeting. These provisions would also prevent the holders of a majority of the voting power of the outstanding shares of stock entitled to vote generally in the election of Directors from using the written consent procedure to take stockholder action and from taking action by written consent without giving all the stockholders entitled to vote on a proposed action the opportunity to participate in determining such proposed action at a meeting.

#### ADVANCE NOTICE PROCEDURES

Unlike the Bylaws of HSI and H&S Inc., the Amended Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors, or bring other business before an annual meeting of stockholders of the Company (the "Stockholders Notice Procedure"). The Stockholders Notice Procedure provides that only persons who are nominated by, or at the direction of, the Board of Directors, or by a stockholder who has given timely written notice to the Secretary of the Company prior to the meeting at which directors are to be elected, will be eligible for election as directors of the Company. The Stockholders Notice Procedure also provides that at an annual meeting only such business may be conducted as has been brought before the meeting by, or at the direction of, the Chairman of the Board of Directors or by a stockholder who has given timely written notice to the Secretary of the Company of such stockholder's intention to bring such business before such meeting. Under the Stockholders Notice Procedure, for notice of stockholder nominations to be made at an annual meeting to be timely, such notice must be received by the Company not less than 60 days nor more than 90 days prior to the first anniversary of the previous year's annual meeting (or, if the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, not earlier than the 90th day prior to such meeting and not later than the later of (x) the 60th day prior to such meeting and (y) the 10th day after public announcement of the date of such meeting is first made). Notwithstanding the foregoing, in the event that the number of directors to be elected is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Company at least 70 days prior to the first anniversary of the preceding year's annual

meeting, a stockholder's notice will be timely, but only with respect to nominees for any new positions created by such increase, if it is received by the Company not later than the 10th day after such public announcement is first made by the Company. Under the Stockholders Notice Procedure, for notice of a stockholder nomination to be made at a special meeting at which directors are to be elected to be timely, such notice must be received by the Company not earlier than the 90th day before such meeting and not later than the later of (x) the 60th day prior to such meeting and (y) the 10th day after the public announcement of the date of such meeting is first made. In addition, under the Stockholders Notice Procedure, a stockholder's notice to the Company proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain certain specified information. If the Chairman of the Board of Directors or other officer presiding at a meeting determines that a person was not nominated, or other business was not brought before the meeting, in accordance with the Stockholders Notice Procedure, such person will not be eligible for election as a director, or such business will not be conducted at such meeting, as the case may be. By requiring advance notice of nominations by stockholders, the Notice of Meeting Provision will afford the Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the Board of Directors, to inform the stockholders about such qualifications. By requiring advance notice of proposed business, the Notice of Meeting Proposal Provision will provide the Board of Directors with a meaningful opportunity to inform stockholders, prior to such meeting, of any business proposed to be conducted at such meeting, together with any recommendation or statement of the Board of Directors' position as to action to be taken with respect to such business, so as to enable stockholders better to determine whether they desire to attend such a meeting or to grant a proxy to the Board of Directors as to the disposition of any such business. Although the Company's Bylaws do not give the Board of Directors any power to approve or disapprove stockholder nominations for the election of Directors or proposals for action, they may have the effect of precluding a contest for the election of Directors or the consideration of stockholder proposals if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of Directors or to approve its proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to the Company and its stockholders.

#### LIABILITY OF DIRECTORS; INDEMNIFICATION

Section 145 of the DGCL permits a corporation to indemnify officers, directors, employees and agents for actions taken in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the corporation, and with respect to any criminal action, which they had no reasonable cause to believe was unlawful.

Both the HSI Bylaws and the H&S Inc. Bylaws contain provisions requiring each such corporation to indemnify a director, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and with respect to any criminal action or proceeding had no reasonable cause to believe that his conduct was unlawful. Each of HSI and H&S Inc. is required to indemnify a director in any action brought by or in the right of the corporation, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, provided that no indemnification shall be made in respect of a claim or matter as to which such person shall have been adjudged liable for negligence or misconduct in the performance of his duty to the corporation, unless and only to the extent the Court of Chancery or other court in which such action was brought, shall determine upon application, that despite the adjudication of liability such person is fairly and reasonably entitled to indemnity for such expenses as such court shall deem proper. Indemnification described above shall be made by such corporation only upon a determination that indemnification is proper because he has met the applicable standard of conduct. Such determination shall be made (i) by each respective board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders of HSI or H&S Inc., as the case may be.

The Amended Certificate of Incorporation provides that a director will not be personally liable for monetary damages to the Company or its stockholders for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in

good faith or which involve intentional misconduct or a knowing violation of law, (iii) for paying a dividend or approving a stock repurchase or redemption in violation of Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. The Amended Certificate of Incorporation also provides that each current or former director, officer, employee or agent of the Company, or each such person who is or was serving or who had agreed to serve at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person), will be indemnified by the Company to the full extent permitted by the DGCL, as the same exists or may in the future be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment). The Amended Certificate of Incorporation also specifically authorizes the Company to enter into agreements with any person providing for indemnification greater or different than that provided by the Amended Certificate of Incorporation.

#### RESTRICTIONS ON AMENDMENT

The DGCL provides that to amend a certificate of incorporation, a board of directors must adopt a resolution setting forth the amendment proposal and then call either a special meeting of the stockholders or consider the proposal at the next annual meeting or if permitted by such certificate of incorporation to approve such amendment by written consent. The DGCL also provides that the stockholders, and if provided in the charter, the directors are entitled to amend the Bylaws.

Both the HSI Certificate of Incorporation and the H&S Inc. Certificate of Incorporation provide that the respective certificates of incorporation of HSI and H&S Inc. may be amended in the manner prescribed by the DGCL. The HSI Bylaws provide that the HSI Bylaws may be amended by the HSI Board at any regular meeting or a special meeting, if notice of the proposed amendment is contained in the notice of such special meeting, provided that in no event may the section relating to the number of directors be amended, to reduce the number of directors to less than four or the manner of electing Class A and Class B directors or the number of class of directors required for action by the Board be altered. The HSI Bylaws may be amended in any respect or repealed by a majority vote of the holders of the Class A common stock and a majority vote of the holders of Class B Common Stock, voting separately at any annual or special meeting of stockholders.

The H&S Inc. Certificate of Incorporation also expressly authorizes the H&S Inc. Board to adopt, amend or repeal the H&S Inc. Bylaws and the H&S Inc. Bylaws provide that the H&S Inc. Board or holders of H&S Inc. Common Stock may do so at any regular or special meeting.

The Company's Amended Certificate of Incorporation provides that the approval of holders of at least 75% of the voting power entitled to vote generally in the election of Directors, voting together as a single class, is required to adopt any Amended Certificate of Incorporation provision inconsistent with or to alter, amend or repeal the provisions of the Company's Amended Certificate of Incorporation classifying the Board of Directors; governing the removal of directors; establishing the minimum and maximum number of members of the Board of Directors; eliminating the ability of stockholders to act by written consent; authorizing the Board of Directors to consider the interests of clients and other customers, creditors, employees and other constituencies of the Corporation and its subsidiaries and the effect upon communities in which the Corporation and its subsidiaries do business, in evaluating proposed corporate transactions; establishing the Board of Directors' authority to issue, without a vote or any other action of the stockholders, any or all authorized shares of stock of the Corporation, securities convertible into or exchangeable for any authorized shares of stock of the Corporation and warrants, options or rights to purchase, subscribe for or otherwise acquire shares of stock of the Corporation for any such consideration and on such terms as the Board of Directors in its discretion lawfully may determine and authorizing that the Bylaws of the Corporation may establish procedures regulating the submission by stockholders of nominations and proposals for consideration at meetings of stockholders of the Corporation. In addition, the Company's Amended Certificate of Incorporation provides that the approval of the Board of Directors or the affirmative vote of the holders of 75% of the voting power entitled to vote generally in the election of Directors, voting together as a single class, is required to alter, amend or repeal the above provisions of the Company's Amended Certificate of Incorporation or to adopt any provision of the Amended Certificate of



Incorporation inconsistent with such provisions or to alter, amend or repeal certain provisions of the Company's Bylaws or to adopt any provision of the Bylaws inconsistent with such provisions.

#### PREFERRED STOCK

Unlike the HSI Certificate of Incorporation and the H&S Inc. Certificate of Incorporation, the Amended Certificate of Incorporation authorizes shares of preferred stock. Subject to the Amended Certificate of Incorporation and applicable law, the authority of the Company's Board of Directors with respect to each series of preferred stock, includes but is not limited to the authority to generally determine the following: the designation of such series, the number of shares initially constituting such series and whether to increase or decrease such number of shares, dividend rights and rates, terms of redemption and redemption prices, liquidation preferences, voting rights, conversion rights, whether a sinking fund will be provided for the redemption of the shares of such series (and, if so, the terms and conditions thereof) and whether a purchase fund shall be provided for the shares of such series (and, if so, the terms and conditions thereof).

The Company believes that the availability of the preferred stock will provide increased flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs that might arise. Having such authorized shares available for issuance will allow the Company to issue shares of preferred stock without the expense and delay of a special stockholders' meeting. The authorized shares of preferred stock, as well as shares of Common Stock, will be available for issuance without further action by the stockholders, unless such action is required by applicable law or the rules of any stock exchange on which the Company's securities may be listed. The Company's Board of Directors will have the power (subject to applicable law) to issue a series of preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. For instance, subject to applicable law, such series of preferred stock might impede a business combination by including class voting rights that would enable the holder to block such a transaction. The Company's Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of the Company and its stockholders. The Company's Board of Directors, in so acting, could issue preferred stock having terms which could discourage an acquisition attempt or other transaction that some, or a majority of the stockholders might believe to be in their best interest or in which stockholders might receive a premium for their stock over the then market price of such stock.

#### THE DELAWARE GENERAL CORPORATION LAW

The Company is a Delaware corporation subject to Section 203 of the DGCL. ("Section 203"). Section 203 provides in general that a stockholder acquiring more than 15% of the outstanding voting stock of a corporation subject to Section 203 (an "Interested Stockholder") but less than 85% of such stock may not engage in certain Business Combinations (as defined in Section 203) with the corporation for a period of three years subsequent to the date on which the stockholder became an Interested Stockholder unless (i) prior to such date the corporation's board of directors approved either the Business Combination or the transaction in which the stockholder became an Interested Stockholder or (ii) the Business Combination is approved by the corporation's board of directors and authorized by a vote of at least 66 2/3% of the outstanding voting stock of the corporation not owned by the Interested Stockholder. A "Business Combination" includes mergers, asset sales and other transactions resulting in financial benefit to a stockholder. Section 203 could prohibit or delay mergers or other takeover or change of control attempts with respect to the Company and, accordingly, may discourage attempts that might result in a premium over the market price for the shares held by stockholders.

## CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES

The following discussion is a summary of the material U.S. federal income tax consequences of the exchange of H&S Inc. Common Stock for Company Common Stock pursuant to the Merger. The discussion which follows is based on the Code, Treasury regulations promulgated thereunder, administrative rulings and pronouncements and judicial decisions, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. The discussion below is for general information only and does not address the effects of any state, local or non-U.S. tax laws on the Merger. In addition, the discussion below relates to persons who hold H&S Inc. Common Stock as a capital asset. The tax treatment of an H&S Inc. stockholder may vary depending upon such stockholder's particular circumstances, and certain stockholders may be subject to special rules not discussed below.

Consummation of the Merger is conditioned upon the receipt by H&S Inc. and HSI of an opinion from Kramer, Levin, Naftalis & Frankel dated the Closing Date that the Merger will constitute a reorganization within the meaning of Section 368 of the Code. Such opinion of counsel will be based on facts existing as of the Effective Time and on certain representations as to factual matters made by H&S Inc. and HSI. If such representations are untrue or incorrect in certain material respects, the conclusions reached in the opinion may no longer be correct. Neither H&S Inc. nor HSI is currently aware of any facts or circumstances which would cause any such representations made to counsel to be untrue or incorrect in any material respect. An opinion of counsel is not binding on the Internal Revenue Service or the courts.

Based on the opinion discussed above, the material U.S. federal income tax consequences that will result from the Merger are as follows:

1. No gain or loss will be recognized by an H&S Inc. stockholder upon the exchange of his, her or its H&S Inc. Common Stock for Company Common Stock, except that an H&S Inc. stockholder who receives cash proceeds in lieu of a fractional share interest in Company Common Stock will recognize gain or loss equal to the difference between such proceeds and the tax basis allocated to the fractional share interest. Such gain or loss will constitute capital gain or loss and will be long-term capital gain or loss if such stockholder's shares of H&S Inc. Common Stock have been held for more than one year at the Effective Time.
2. The tax basis of the Company Common Stock received by an H&S Inc. stockholder will be the same as such stockholder's tax basis in the H&S Inc. Common Stock surrendered in exchange thereof decreased by the tax basis allocated to any fractional share interest exchanged for cash.
3. The holding period of the Company Common Stock received by an H&S Inc. stockholder will include the period during which the H&S Inc. Common Stock surrendered in exchange therefor was held.
4. No gain or loss will be recognized by H&S Inc. or HSI as a result of the Merger.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR LISTING OF ALL POTENTIAL TAX EFFECTS RELEVANT TO A DECISION WHETHER TO VOTE IN FAVOR OF APPROVAL OF THE MERGER AND THE MERGER AGREEMENT. H&S INC. STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN ADVISORS CONCERNING THE UNITED STATES FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE MERGER TO THEM.

### LEGAL MATTERS

Kramer, Levin, Naftalis & Frankel will deliver an opinion concerning certain federal income tax consequences of the Merger. See "Certain Federal Income Tax Consequences of the Merger." Simpson Thacher & Bartlett will deliver an opinion on the legality of the Company Common Stock.

## EXPERTS

The Consolidated Financial Statements and Schedule of H&S Inc. as of December 31, 1996 and 1997, and for each of the years in the three-year period ended December 31, 1997 included in this Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the reports of said firm and the authority of said firm as experts in accounting and auditing.

The Consolidated Financial Statements of HSI as of December 31, 1996 and 1997 and for each of the years in the three-year period ended December 31, 1997 included in this Registration Statement have been audited by Barbier Frinault & Associates (Arthur Andersen), independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the reports of said firm and the authority of said firm as experts in accounting and auditing.

The Consolidated Statements of Income and Cash Flows of Mulder for each of the years in the two-year period ended December 31, 1996 and the nine-month period ended September 30, 1997 included in this Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the reports of said firm and the authority of said firm as experts in accounting and auditing.

## ADDITIONAL INFORMATION

HSI has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-4 (herein, together with all amendments and exhibits thereto, referred to as the "Registration Statement") under the Securities Act with respect to the registration of the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, omits certain information contained in the Registration Statement as permitted by the rules and regulations of the Commission. Statements contained herein concerning the provisions of any contract, agreement or other document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement for a more complete description of the matter involved, and each such statement is qualified in its entirety by such reference. The Registration Statement, including the exhibits and schedules filed therewith, may be inspected at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at 7 World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such materials may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Commission maintains a Web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

Neither H&S Inc. nor HSI is currently subject to the informational requirements of the Securities and Exchange Act of 1934 (the "Exchange Act"). Financial and other information about H&S Inc., HSI and their subsidiaries is not publicly available other than as set forth in this Joint Consent Statement/Prospectus and other than as set forth in the Registration Statement on Form S-1 filed on July 24, 1998. As a result of the Offering, the Company will become subject to the informational requirements of the Exchange Act. The Company will fulfill its obligations with respect to such requirements by filing periodic reports with the Commission. In addition, the Company will furnish its stockholders with annual reports containing audited financial statements certified by its independent accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited summary financial information.

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
	----
Report of Independent Public Accountants.....	F-2
Consolidated Balance Sheets as of December 31, 1996 and 1997 and (unaudited) as of March 31, 1998.....	F-3
Consolidated Statements of Income and Comprehensive Income For the Years Ended December 31, 1995, 1996 and 1997 and (unaudited) for the Three Months Ended March 31, 1997 and 1998.....	F-5
Consolidated Statements of Stockholders' Equity For the Years Ended December 31, 1995, 1996 and 1997 and (unaudited) for the Three Months Ended March 31, 1998.....	F-6
Consolidated Statements of Cash Flows For the Years Ended December 31, 1995, 1996 and 1997 and (unaudited) for the Three Months Ended March 31, 1997 and 1998.....	F-7
Notes to Consolidated Financial Statements.....	F-8

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
	----
Report of Independent Public Accountants.....	F-17
Consolidated Balance Sheets as of December 31, 1996 and 1997 and (unaudited) as of March 31, 1998.....	F-18
Consolidated Statements of Income and Comprehensive Income For the Years Ended December 31, 1995, 1996 and 1997 and (unaudited) for the Three Months Ended March 31, 1997 and 1998.....	F-19
Consolidated Statements of Stockholders' Equity For the Years Ended December 31, 1995, 1996 and 1997 and (unaudited) for the Three Months Ended March 31, 1998.....	F-20
Consolidated Statements of Cash Flows For the Years Ended December 31, 1995, 1996 and 1997 and (unaudited) for the Three Months Ended March 31, 1997 and 1998.....	F-21
Notes to Consolidated Financial Statements.....	F-22

MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
	----
Report of Independent Public Accountants.....	F-29
Consolidated Statements of Income and Comprehensive Income For the Years Ended December 31, 1995 and 1996 and for the Nine Months Ended September 30, 1997.....	F-30
Consolidated Statements of Cash Flows For the Years Ended December 31, 1995 and 1996 and the Nine Months Ended September 30, 1997.....	F-31
Notes to Consolidated Financial Statements.....	F-32

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
Heidrick & Struggles, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES (a Delaware corporation) as of December 31, 1996 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heidrick & Struggles, Inc. and Subsidiaries as of December 31, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Chicago, Illinois  
July 19, 1998

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

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE FIGURES)

	DECEMBER 31,		MARCH 31,
	1996	1997	1998
			(UNAUDITED)
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 7,171	\$ 10,074	\$ 14,944
Accounts receivable--			
Trade, less allowances for doubtful accounts of \$1,925, \$3,276, and \$3,932 at December 31, 1996 and 1997 and March 31, 1998, respectively.....	27,184	38,349	39,152
Other.....	843	1,384	1,333
Notes receivable.....	273	193	297
Notes receivable from affiliate.....	--	--	5,148
Prepaid expenses.....	976	1,265	1,465
Deferred income taxes.....	5,293	7,045	7,144
	-----	-----	-----
Total current assets.....	41,740	58,310	69,483
	-----	-----	-----
PROPERTY AND EQUIPMENT:			
Leasehold improvements.....	5,894	6,724	7,068
Office furniture and fixtures.....	8,168	9,588	7,485
Computer equipment and software.....	7,500	8,368	8,552
Automobiles.....	727	853	932
System development costs.....	--	1,243	3,620
	-----	-----	-----
	22,289	26,776	27,657
Less--Accumulated depreciation and amortization.....	(8,850)	(11,334)	(10,224)
	-----	-----	-----
Property and equipment, net.....	13,439	15,442	17,433
	-----	-----	-----
OTHER ASSETS:			
Cash and investments designated for nonqualified retirement plan.....	5,791	10,439	12,023
Investment in Heidrick & Struggles International, Inc.....	6,413	6,780	6,439
Deferred income taxes.....	1,260	2,921	2,551
	-----	-----	-----
Total other assets.....	13,464	20,140	21,013
	-----	-----	-----
Total assets.....	\$68,643	\$ 93,892	\$107,929
	=====	=====	=====

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

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

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE FIGURES)

	DECEMBER 31,		MARCH 31,
	1996	1997	1998
	(UNAUDITED)		
CURRENT LIABILITIES:			
Short-term debt.....	\$ --	\$ 3,500	\$ 5,148
Current maturities of long-term debt.....	490	808	808
Accounts payable.....	1,734	2,909	2,700
Accrued expenses--			
Salaries and employee benefits.....	12,916	17,806	31,468
Profit sharing and retirement.....	1,538	2,732	933
Rent.....	1,833	1,817	1,851
Other.....	1,425	3,028	2,844
Income taxes payable.....	1,176	942	141
Total current liabilities.....	21,112	33,542	45,893
LONG-TERM DEBT, LESS CURRENT MATURITIES.....	993	1,636	1,601
LIABILITY FOR NONQUALIFIED RETIREMENT PLANS.....	7,165	11,108	12,142
COMMITMENTS AND CONTINGENT LIABILITIES.....			
MANDATORILY REDEEMABLE COMMON STOCK:			
Common stock, \$1 par value, 500,000 shares authorized and issued at December 31, 1996 and 1997 and March 31, 1998; 166,512, 173,024 and 173,024 shares outstanding at December 31, 1996 and 1997 and March 31, 1998, respectively, at book value.....	39,373	47,606	48,293
Total liabilities and mandatorily redeemable common stock.....	\$68,643	\$93,892	\$ 107,929

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

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

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(IN THOUSANDS, EXCEPT SHARE FIGURES)

	TWELVE MONTHS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
	(UNAUDITED)				
REVENUE.....	\$108,685	\$137,665	\$180,244	\$39,973	\$45,937
OPERATING EXPENSES:					
Salaries and employee benefits.....	77,215	98,272	125,308	28,693	34,761
General and administrative expenses.....	20,853	28,681	42,991	9,840	10,349
Total operating expenses...	98,068	126,953	168,299	38,533	45,110
Operating income.....	10,617	10,712	11,945	1,440	827
NON-OPERATING INCOME (EXPENSE):					
Interest income.....	1,156	1,385	1,586	146	155
Interest expense.....	(207)	(180)	(150)	(29)	(56)
Other.....	108	(94)	486	70	(364)
Net non-operating income (expense).....	1,057	1,111	1,922	187	(265)
EQUITY IN NET INCOME (LOSS) OF AFFILIATE.....	778	775	367	150	(341)
Income before income taxes .....	12,452	12,598	14,234	1,777	221
PROVISION FOR INCOME TAXES.....	6,094	6,149	7,589	887	106
Net income.....	\$ 6,358	\$ 6,449	\$ 6,645	\$ 890	\$ 115
BASIC EARNINGS PER COMMON SHARE.....	\$ 40.08	\$ 39.64	\$ 39.29	\$ 5.40	\$ 0.67
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING.....	158,661	162,718	169,161	164,920	173,115
DILUTED EARNINGS PER COMMON SHARE.....	\$ 40.08	\$ 39.64	\$ 39.29	\$ 5.40	\$ 0.67
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING.....	158,661	162,718	169,168	164,920	173,139
Net income.....	\$ 6,358	\$ 6,449	\$ 6,645	\$ 890	\$ 115
Other comprehensive income (loss), before tax:					
Foreign currency translation adjustment.....	(92)	(465)	(956)	292	80
Unrealized gain (loss) on available-for-sale investments.....	--	188	1,110	(36)	908
Other comprehensive income (loss), before tax.....	(92)	(277)	154	256	988
Income tax benefit (expense) related to items of other comprehensive income (loss)...	39	116	(64)	(108)	(415)
Other comprehensive income (loss), net of tax.....	(53)	(161)	90	148	573
Comprehensive income.....	\$ 6,305	\$ 6,288	\$ 6,735	\$ 1,038	\$ 688



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



Unrealized gain on available-for-sale investments.....	--	--	--	--	--	--	--	644	--
Foreign currency translation adjustment.....	--	--	--	--	--	--	--	(554)	--
								-----	
Other comprehensive income.....	--	--	--	--	--	--	90	90	90
								-----	
Comprehensive income...								6,735	
								=====	
Retained earnings allocable to mandatorily redeemable common stock.....	--	--	--	--	--	(8,234)	--		(8,234)
								-----	-----
BALANCE AT DECEMBER 31, 1997.....	500,000	500	14,048	(326,976)	(15,179)	691	(60)		--
Comprehensive income									
Net income (unaudited).....	--	--	--	--	--	115	--	115	115
								-----	
Other comprehensive income, net of tax									
Unrealized gain on available-for-sale investments (unaudited).....	--	--	--	--	--	--	--	527	--
Foreign currency translation adjustment (unaudited).....	--	--	--	--	--	--	--	46	--
								-----	
Other comprehensive income (unaudited)...	--	--	--	--	--	--	573	573	573
								-----	
Comprehensive income (unaudited).....								\$ 688	
								=====	
Retained earnings allocable to mandatorily redeemable common stock (unaudited).....	--	--	--	--	--	(688)	--		(688)
								-----	-----
BALANCE AT MARCH 31, 1998 (UNAUDITED).....	500,000	\$500	\$14,048	(326,976)	\$(15,179)	\$ 118	\$513		--
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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

## HEYDRICK &amp; STRUGGLES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	TWELVE MONTHS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income.....	\$ 6,358	\$ 6,449	\$ 6,645	\$ 890	\$ 115
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization..	2,217	2,705	3,417	844	915
Loss on sale of property and equipment.....	29	522	50	--	485
Deferred income taxes.....	293	(1,327)	(3,499)	129	(125)
Equity in net income of affiliates.....	(778)	(775)	(367)	(150)	341
Accretion of discount on securities.....	--	(321)	--	--	--
Changes in assets and liabilities:					
Trade & other receivables.....	(2,411)	(7,301)	(12,385)	(5,246)	(6,030)
Prepaid expenses.....	(169)	(179)	(379)	(62)	(225)
Accounts payable.....	(329)	348	1,485	(250)	(153)
Accrued expenses.....	611	3,687	8,046	11,921	11,659
Income taxes payable.....	1,515	(737)	(265)	(49)	(722)
Nonqualified retirement plan liability.....	2,135	2,560	3,943	492	1,034
Net cash provided by operating activities.....	9,471	5,631	6,691	8,519	7,294
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of securities for nonqualified retirement plan..	--	(5,603)	(3,538)	(47)	(676)
Purchases of property and equipment.....	(4,136)	(6,730)	(5,718)	(1,623)	(3,416)
Proceeds from sales of property and equipment.....	--	58	65	--	5
Purchases of marketable securities.....	(2,376)	(10,303)	(8,176)	(368)	--
Proceeds from maturities of marketable securities.....	--	13,000	8,176	--	--
Net cash used in investing activities.....	(6,512)	(9,578)	(9,191)	(2,038)	(4,087)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from long-term debt...	--	--	3,500	--	5,148
Payments on long-term debt....	(1,213)	(1,453)	(875)	(40)	(3,535)
Proceeds from sales of treasury stock.....	2,032	2,924	4,349	150	--
Purchases of treasury stock....	(547)	(861)	(1,014)	--	--
Net cash provided by financing activities.....	272	610	5,960	110	1,613
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>					
	(278)	(88)	(557)	515	50
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents:					
Beginning of period.....	7,643	10,596	7,171	7,171	10,074

End of period.....	\$10,596	\$ 7,171	\$ 10,074	\$14,277	\$14,944
	=====	=====	=====	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH  
FLOW INFORMATION

Cash paid for--

Interest.....	\$ 196	\$ 221	\$ 161	\$ 1	\$ 18
Income Taxes.....	\$ 4,509	\$ 7,589	\$ 10,874	\$ 356	\$ 760
	=====	=====	=====	=====	=====

SUPPLEMENTAL SCHEDULE OF NONCASH  
FINANCING AND INVESTING  
ACTIVITIES

Unrealized gain (loss) on  
available-for-sale

investments.....	\$ --	\$ 188	\$ 1,110	\$ (36)	\$ 908
Issuance of notes payable for the purchase of treasury stock.....	\$ 1,908	\$ 680	\$ 1,836	\$ --	\$ --
	=====	=====	=====	=====	=====

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

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
[INFORMATION RELATING TO MARCH 31, 1998 AND 1997 IS UNAUDITED]  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE FIGURES)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Heidrick & Struggles, Inc. and Subsidiaries (the "Company") are engaged in providing management consulting and executive search services to clients on a retained basis. The Company's clients are primarily located throughout North America, South America and the Pacific Basin.

Principles of Consolidation

The consolidated financial statements include Heidrick & Struggles, Inc. and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting Pronouncements to be Adopted in 1998

During 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes new standards for reporting information about operating segments in interim and annual financial statements. It is effective for annual periods beginning after December 15, 1997 and will be adopted by the Company as of December 31, 1998. The Company does not expect that adoption of this Standard will not have an impact on its consolidated financial position or its consolidated results of operations. However, it is expected that adoption of this Standard will result in additional footnote disclosure.

During 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," which establishes new standards for reporting information about derivatives and hedging. It is effective for periods beginning after June 15, 1999 and will be adopted by the Company as of January 1, 2000. The Company expects that adoption of this Standard will have no effect on its consolidated financial position, results of operations or on disclosures within the consolidated financial statements as they currently do not engage in the use of derivative instruments or other hedging activities.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with a purchased maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion across many different industries. At December 31, 1997, the Company had no significant concentrations of credit risk.

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the shorter of the lease term or the estimated useful life of the asset, as follows:

Office furniture and fixtures.....	10 years
Computer equipment and software.....	3-5 years
Automobiles.....	3 years

Depreciation for financial statement purposes for the years ended December 31, 1995, 1996 and 1997 and the three months ended March 31, 1997 and 1998 totaled \$2,217, \$2,705, \$3,417, \$844, and \$915, respectively. Depreciation is calculated for tax purposes using accelerated methods.

System Development Costs

In accordance with Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," development costs are capitalized. Once the software is placed in service, it will be depreciated using the straight-line method over a three to five year period.

Investments Designated for Nonqualified Retirement Plan

Investments designated for the nonqualified retirement plan are carried at the fair value of the security in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Investments designated for the nonqualified retirement plan are debt and equity securities that are classified as available-for-sale securities as more fully described in Note 2.

Investment in Heidrick & Struggles International, Inc.

The Company accounts for its investment in Heidrick & Struggles International, Inc. ("HSI") by the equity method as more fully described in Note 3. Using this method, the Company's equity in the net income of the affiliate is recognized in the Company's statement of income and added to the investment account. Dividends received, if any, from the affiliate are treated as reductions in the investment account.

Revenue Recognition

Revenue from client services is recognized when services are billed and substantially rendered, generally over a 60 to 90 day period commencing in the month of the initial acceptance of a search. Revenue consists of the amount billed to clients, net of sales taxes.

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Earnings per Common Share

The Company adopted SFAS No. 128, "Earnings Per Share" at December 31, 1997. Basic earnings per common share is computed by dividing net income by weighted average common shares outstanding for the year.

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted.

Translation of Foreign Currencies

The translation of financial statements into U.S. dollars has been performed in accordance with SFAS No. 52, "Foreign Currency Translation." The local currency for all subsidiaries has been designated as the functional currency except for subsidiaries which operate in highly inflationary economies which use the U.S. dollar as their functional currency. Non-U.S. assets and liabilities have been translated into U.S. dollars at the current rate of exchange prevailing at the balance sheet date. Revenues and expenses have been translated at the average exchange rate for the period. Translation gains and losses are reflected as a separate component of stockholders' equity and not included in income.

Interim Financial Information

The consolidated financial statements and related notes thereto for the three months ended March 31, 1997 and March 31, 1998 are unaudited and have been prepared on the same basis as the audited consolidated financial statements included herein. In the opinion of management, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the information set forth herein. Operating results for the three months ended March 31, 1998 are not necessarily indicative of results that may be expected for the fiscal year ending December 31, 1998.

2. INVESTMENTS DESIGNATED FOR NONQUALIFIED RETIREMENT PLAN

Effective January 1, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires investments in debt and equity securities be classified as held-to-maturity, available-for-sale or trading securities. The Company's investments designated for a nonqualified plan are classified as investments available-for-sale (see Note 9). These securities are carried at fair value based on publicly reported market quotes as of December 31, 1996 and 1997 and March 31, 1998. Any unrealized gains and losses on available-for-sale securities have been excluded from earnings and have been reported as a separate component of stockholders' equity.

The following details the cost and unrealized gain components that make up the fair value of the investments:

	DECEMBER 31, 1996	DECEMBER 31, 1997	MARCH 31, 1998
	-----	-----	-----
Cost basis.....	\$4,888	\$ 8,835	\$ 9,314
Gross unrealized gain.....	188	1,298	2,206
	-----	-----	-----
Fair value.....	\$5,076	\$10,133	\$11,520
	=====	=====	=====

3. INVESTMENT IN HSI

The Company has an investment in HSI which is accounted for under the equity method. The percentage of common stock ownership at December 31, 1996 and 1997 and March 31, 1998 was 39.3%, 35.5%, and 35.5%, respectively. Based on an agreement between the Company and HSI, effective January 1, 1995, 65% of the net income of HSI is allocated to Class A shares and 35% of the net income of HSI is allocated to Class B shares, regardless of the exact percentage of each class holding. The Company owns all Class B shares of HSI.

4. ACQUISITIONS

During 1996, the Company purchased selected assets of two companies. Each combination was accounted for by the purchase method of accounting. The purchase price for each of these transactions includes the cost of the net assets as of the date of the transaction.





HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The selected assets of International Consultants S.A. were acquired on September 1, 1996, for a total purchase price of \$609, none of which was recorded as goodwill. The selected assets of Global Management S.R.L. were acquired on February 16, 1996, for a total purchase price of \$55, none of which was recorded as goodwill.

5. LINE OF CREDIT

The Company has a \$25,000 reducing revolving credit facility ("line of credit") which is valid until September 30, 2001. This new line of credit became effective October 1, 1997. The \$25,000 line of credit will be reduced annually by \$5,000 on September 30, 1998, 1999 and 2000. There were no borrowings outstanding under the former line of credit at December 31, 1996. There was \$3,500 outstanding under the line of credit at December 31, 1997 and \$5,148 outstanding at March 31, 1998. The borrowings bear interest at either LIBOR plus 1% or the prime rate, at the Company's discretion. At December 31, 1997, the interest rate on the debt was the prime rate, 8.5%. At March 31, 1998, the interest rate on the debt was fixed at approximately 6.7%. The line of credit has certain financial requirements the Company must meet relating to net worth, liabilities, and cash flows. As of December 31, 1997 and March 31, 1998, the Company met all of its financial requirements. The Company is required to pay commitment fees on the unused portion of the line of credit on a quarterly basis. Commitment fee expense for the year ended December 31, 1997 and for the three months ended March 31, 1998 totaled \$8 and \$8, respectively.

6. RELATED PARTY TRANSACTIONS

The Company loaned HSI \$5,148 during the first quarter of 1998. The loan was originally due in full on June 17, 1998, but was extended. It is now due in two installments. The first installment of \$2,500 is due on July 31, 1998 and the balance is due on August 31, 1998. The interest rate on this loan is fixed at 6.7%. Accounts payable includes a payable of \$367 to HSI at December 31, 1996. Accounts receivable includes a receivable of \$776 and \$907 from HSI at December 31, 1997 and March 31, 1998, respectively. All transactions between the Company and HSI are recorded at cost.

7. LONG-TERM DEBT

Long-term debt consists of amounts due to former stockholders who have sold their stock back to the Company (see Note 8). The obligations are unsecured and payable in annual installments over periods ranging from two to five years with interest payable generally at the prime commercial rate (8.25%, 8.50%, and 8.50% at December 31, 1996 and 1997 and March 31, 1998, respectively).

The fair value of the debt based on current rates for similar debt is estimated to be \$2,055 at December 31, 1997.

Future principal payments on long-term debt are due as follows:

Years ending December 31--	
1998.....	\$ 808
1999.....	808
2000.....	428
2001.....	400
2002.....	--
	-----
	\$2,444
	=====

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

8. STOCKHOLDER AGREEMENTS

In accordance with the terms of stock purchase agreements between the Company and its stockholders, the Company is obligated to purchase the shares of stock owned by a stockholder if the stockholder desires to sell or transfer the shares, or upon a stockholder's termination of employment at book value as defined in the stock purchase agreements. Redemption amounts relating to the stock purchase agreements are included in Mandatorily Redeemable Common Stock in the accompanying balance sheets. Payments for shares are generally made over a four year period. These agreements will be terminated upon successful completion of an initial public offering.

9. EMPLOYEE BENEFIT PLANS

QUALIFIED RETIREMENT PLANS

The Company has a defined contribution retirement plan for all eligible employees. The plan contains a 401(k) provision which provides for employee tax deferred contributions.

The Company matched employee contributions on a two-for-one basis up to a maximum Company contribution of \$1, \$1 and \$2 per participant for the years ended December 31, 1995, 1996 and 1997, respectively. The Company has the option of making discretionary contributions. For the years ended December 31, 1995, 1996 and 1997, the Company elected to contribute to each eligible participant a sum equal to 3.03% of the participant's total compensation (as defined) and an additional 3.03% of the participant's compensation above the Social Security taxable wage base.

The plan allows participants the option of having their account balances or portions thereof invested in the Company's common stock. At December 31, 1996 and 1997 and at March 31, 1998, the plan held 131,182, 129,865 and 124,365 shares, respectively, of the Company's common stock. The Company sells shares of common stock to the plan and is required to repurchase the shares issued to the plan at net book value as defined in the stock purchase agreements. This requirement will be cancelled upon successful completion of an initial public offering.

The plan provides that forfeitures will be used to reduce the Company's contributions. Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the plan. Company expense for the plan for the years ended December 31, 1995, 1996 and 1997 and the three months ended March 31, 1997 and 1998 was \$1,144, \$1,339, \$2,174, \$401, and \$544, respectively.

In addition, the subsidiaries each maintain defined contribution retirement plans for their eligible employees. Retirement plan expense for these plans for the years ended December 31, 1995, 1996 and 1997 and the three months ended March 31, 1997 and 1998 totaled \$167, \$128, \$154, \$46, and \$64, respectively.

NONQUALIFIED RETIREMENT PLANS

The Company also has two separate nonqualified retirement plans. The first plan is for United States based employees and includes both an optional employee contribution and a discretionary employer contribution. The plan expense for the years ended December 31, 1995, 1996 and 1997 and for the three months ended March 31, 1997 and 1998 was \$1,254, \$1,440, \$1,350, \$445, and \$500, respectively. The liability for this retirement plan consisted of the following at December 31, 1996 and 1997 and March 31, 1998:

	DECEMBER 31, 1996	DECEMBER 31, 1997	MARCH 31, 1998
	-----	-----	-----
Employer contributions.....	\$4,980	\$ 6,390	\$ 7,360
Employee deferrals.....	1,660	3,785	3,785
Earnings of designated assets.....	158	316	365
	-----	-----	-----
	\$6,798	\$10,491	\$11,510
	=====	=====	=====



HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Investments designated for the nonqualified plan are carried at fair market value based on publicly quoted prices. The Company has recognized an unrealized gain as of December 31, 1996 and 1997 and March 31, 1998 of \$188, \$1,298, and \$2,206, respectively, which is recorded as a separate component of stockholders' equity (see Note 2). The nonqualified plan was unfunded until 1996.

The fair value of the assets designated for the nonqualified plan consist of the following at December 31, 1996 and 1997 and March 31, 1998:

	DECEMBER 31, 1996	DECEMBER 31, 1997	MARCH 31, 1998
	-----	-----	-----
Cash and cash equivalents.....	\$ 715	\$ 306	\$ 503
Stock mutual fund.....	3,349	6,919	8,117
Bond mutual fund.....	1,727	3,214	3,403
	-----	-----	-----
	\$5,791	\$10,439	\$12,023
	=====	=====	=====

In 1995, the Company instituted a second nonqualified retirement plan for employees classified as senior associates. This plan provides for only discretionary employer contributions. The plan expense for the years ended December 31, 1995, 1996 and 1997 was \$197, \$170 and \$250, respectively. The liability for this retirement plan at December 31, 1996 and 1997 was \$367 and \$617, respectively.

10. INCOME TAXES

The deferred tax assets and liabilities consist of the following components as of December 31, 1996 and 1997:

	1996	1997
	-----	-----
Deferred tax assets--		
Receivable allowances.....	\$ 858	\$ 1,515
Accrued vacations.....	308	433
Accrued bonuses.....	4,491	6,206
Liability for nonqualified retirement plans.....	3,055	5,035
Other accrued expenses.....	385	439
Foreign net operating loss carryforwards.....	275	595
Cumulative translation adjustment.....	234	636
	-----	-----
	9,606	14,859
Valuation allowance.....	(276)	(502)
	-----	-----
Net deferred tax assets.....	9,330	14,357
	-----	-----
Deferred tax liabilities--		
Leasehold improvements and equipment.....	(232)	(225)
Equity in undistributed income of affiliate.....	(1,718)	(2,085)
System development costs.....	--	(356)
Unrealized gain on available-for-sale investments.....	(79)	(545)
Other.....	(748)	(1,180)
	-----	-----
Net deferred tax liabilities.....	(2,777)	(4,391)
	-----	-----
Net deferred income taxes.....	\$6,553	\$ 9,966
	=====	=====

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The deferred tax amounts mentioned above have been classified in the accompanying consolidated balance sheets as of December 31, 1996 and December 31, 1997, as follows:

	1996	1997
	-----	-----
Current deferred tax assets.....	\$ 6,041	\$ 8,593
Current deferred tax liabilities.....	(748)	(1,548)
	-----	-----
Net current deferred tax asset.....	5,293	7,045
	-----	-----
Long-term deferred tax assets.....	3,289	5,764
Long-term deferred tax liabilities.....	(2,029)	(2,843)
	-----	-----
Net long-term deferred tax asset.....	1,260	2,921
	-----	-----
	\$ 6,553	\$ 9,966
	=====	=====

The provision for income taxes for the years ended December 31, 1995, 1996 and 1997, is as follows:

	1995	1996	1997
	-----	-----	-----
Current--			
Federal.....	\$4,322	\$ 5,142	\$ 7,962
State.....	1,600	2,478	2,500
Foreign.....	292	322	540
Deferred.....	(120)	(1,793)	(3,413)
	-----	-----	-----
	\$6,094	\$ 6,149	\$ 7,589
	=====	=====	=====

A reconciliation of income tax expense for the years ended December 31, 1995, 1996 and 1997, to income taxes at the statutory federal income tax rate of 35%, is as follows:

	1995	1996	1997
	-----	-----	-----
Income taxes at statutory rate.....	\$4,358	\$4,409	\$4,982
Increase (decrease) due to--			
State income taxes, net of federal tax benefit...	1,040	1,611	1,625
Nondeductible expenses.....	272	341	357
Foreign taxes in excess of federal tax rates.....	41	408	721
Other, net.....	383	(620)	(96)
	-----	-----	-----
	\$6,094	\$6,149	\$7,589
	=====	=====	=====

The undistributed earnings of HSI included in the Company's income for the years ended December 31, 1996 and 1997 and March 31, 1998 totaled \$4,052, \$4,419, and \$4,078, respectively, which under existing law, will not be subject to U.S. tax until distributed as dividends. Furthermore, any taxes paid to foreign governments on those earnings may be used in whole or in part as credits against the U.S. tax on any dividends distributed from such earnings. The Company has provided a deferred tax liability for the undistributed earnings of HSI. As the earnings of the consolidated foreign subsidiaries will be permanently reinvested in the Company, no deferred tax liability has been provided.

The sources of earnings before income taxes are as follows:

	YEARS ENDED DECEMBER		
	31,		
	1995	1996	1997
United States.....	\$13,288	\$13,508	\$16,317
Foreign.....	(836)	(910)	(2,083)
Total.....	\$12,452	\$12,598	\$14,234

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The provision for income taxes for the three months ended March 31, 1997 and 1998 is \$887 and \$106, respectively. The effective tax rate at March 31, 1997 and 1998 is 50% and 48%, respectively.

11. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company leases office space in various buildings for its own use. The terms of these operating leases provide that the Company pays base rent and a share of increases in operating expenses and real estate taxes in excess of defined amounts. These leases expire at various dates through 2013. The Company also leases computer equipment which is accounted for as an operating lease.

Minimum future lease payments due in each of the next five years ending December 31, are as follows:

Years ending December 31--	
1998.....	\$ 7,704
1999.....	7,936
2000.....	7,252
2001.....	5,695
2002.....	5,128
Thereafter.....	13,182
	-----
	\$46,897
	=====

Rent expense under operating leases for the years ended December 31, 1995, 1996 and 1997 and for the three months ended March 31, 1997 and 1998 was \$5,875, \$6,976, \$8,374, \$1,988, and \$2,264, respectively.

EMPLOYMENT AGREEMENT

The Company has an employment agreement with an officer which provides for certain payments upon retirement but requires the officer to provide services and not to compete with the Company. The payments are indexed to the Consumer Price Index and would currently approximate \$196 for each of the first five years of retirement and approximately \$98 for each of the succeeding five years. The agreement also states the payments are ratably forfeited during the period which the individual remains an active employee after having reached the age of 65. At December 31, 1997, the first eighteen months of payments have been forfeited as a result of that provision. This agreement also provides for the same payments to the officer in the event of his disability while an employee of the Company except that the payments would be reduced by any amounts received from disability insurance carried by the Company. If the officer dies while an employee or during the ten years of the retirement plan, the agreement provides for payments to his widow or estate of one-half of the amounts for retirement. As future services expected to be received by the Company are commensurate with retirement payments to be made, no provision for any payment under this plan has been made in the accompanying financial statements.

LITIGATION

In the normal course of business, the Company is a party to various matters involving disputes and/or litigation. While it is not possible at this time to determine the ultimate outcome of these matters, management believes that the ultimate liability, if any, will not be material to the financial statements.



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## 12. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates as a single business segment. The Company's geographic data for operations is as follows:

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Revenue:			
United States.....	\$ 99,067	\$124,568	\$156,173
Foreign.....	9,618	13,097	24,071
Total.....	\$108,685	\$137,665	\$180,244
	=====	=====	=====
Operating Income (loss):			
United States.....	\$ 11,568	\$ 11,917	\$ 14,558
Foreign.....	(951)	(1,205)	(2,613)
Total.....	\$ 10,617	\$ 10,712	\$ 11,945
	=====	=====	=====
Identifiable Assets:			
United States.....	\$ 49,995	\$ 58,547	\$ 79,086
Foreign.....	5,905	10,096	14,806
Total.....	\$ 55,900	\$ 68,643	\$ 93,892
	=====	=====	=====

During all years presented above, no individual customer accounted for greater than 10% of revenue.

## 13. SUBSEQUENT EVENTS

On June 26, 1998, the Company purchased selected assets and liabilities of Fenwick Partners, Inc. The purchase price was approximately \$6,120 which is to be paid in 3 installments. The first installment of \$3,060 was paid on June 26, 1998. The remaining installments, including interest at a rate of 5%, are due in June of 1999 and June of 2000 and approximate \$321 and \$3,036, respectively.

On June 30, 1998, the Company's Board of Directors approved a merger agreement with HSI which details the plan to merge the Company with and into HSI prior to an initial public offering; and recommended that the merger agreement be submitted to the stockholders for approval. After completion of the merger, the corporation will be named Heidrick & Struggles International, Inc.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
Heidrick & Struggles International, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES (a Delaware corporation) as of December 31, 1996 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heidrick & Struggles International, Inc. and Subsidiaries as of December 31, 1996 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Barbier Frinault & Associates  
Arthur Andersen

Neuilly-sur-Seine, France  
July 19, 1998

## HEIDRICK &amp; STRUGGLES INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE FIGURES)

	DECEMBER 31,		MARCH 31,
	1996	1997	1998
	-----	-----	-----
			(UNAUDITED)
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents.....	\$ 8,202	\$ 8,053	\$ 7,616
Accounts receivable--			
Trade, less allowances for doubtful accounts of \$1,730, \$1,416, and \$2,782 at December 31, 1996 and 1997 and March 31, 1998, respectively.....	14,464	23,617	26,456
Other.....	365	358	471
Prepaid expenses.....	1,049	1,502	1,393
Deferred income taxes.....	1,528	4,810	2,853
	-----	-----	-----
Total current assets.....	25,608	38,340	38,789
	-----	-----	-----
<b>PROPERTY AND EQUIPMENT:</b>			
Leasehold improvements.....	4,231	6,573	6,699
Office furniture and fixtures.....	3,371	4,747	5,091
Computer equipment and software.....	3,381	6,498	7,466
Automobiles.....	684	1,675	1,574
	-----	-----	-----
	11,667	19,493	20,830
Less--Accumulated depreciation and amortization.....	(5,981)	(9,327)	(9,999)
	-----	-----	-----
Property and equipment, net.....	5,686	10,166	10,831
	-----	-----	-----
<b>OTHER ASSETS:</b>			
Goodwill.....	948	808	454
Deferred compensation expense.....	--	8,766	7,345
Deferred income taxes.....	--	568	3,092
Other assets.....	609	1,299	1,048
	-----	-----	-----
Total other assets.....	1,557	11,441	11,939
	-----	-----	-----
Total assets.....	\$32,851	\$59,947	\$61,559
	=====	=====	=====
<b>CURRENT LIABILITIES:</b>			
Short-term debt.....	\$ --	\$ 7,639	\$ 9,779
Current maturities of long-term debt.....	57	178	475
Accounts payable.....	720	4,265	3,917
Accrued expenses--			
Salaries and employee benefits.....	9,530	16,436	8,033
Professional fees.....	1,295	806	1,333
VAT.....	1,201	1,855	1,998
Payroll taxes.....	1,268	1,250	4,179
Other.....	982	2,676	3,012
Income taxes payable.....	1,210	5,349	5,392
Note payable to affiliate.....	--	--	5,148
	-----	-----	-----
Total current liabilities.....	16,263	40,454	43,266
	-----	-----	-----
LONG-TERM LIABILITIES.....	267	368	128
	-----	-----	-----
<b>MANDATORILY REDEEMABLE COMMON STOCK:</b>			
Class A common stock, no par value, 150,000 shares authorized, 101,668, 122,055, and 122,055 shares issued and outstanding at December 31, 1996 and 1997 and March 31, 1998, respectively, at book value.....	9,922	12,577	12,380
<b>STOCKHOLDERS' EQUITY:</b>			
Class B common stock, no par value, 150,000 shares authorized, 65,787 shares issued and outstanding at December 31, 1996 and 1997 and March 31, 1998, at book value.....	2,361	2,361	2,361
Retained earnings.....	3,981	5,077	4,753
Accumulated other comprehensive income.....	57	(665)	(1,049)

Less--Treasury stock, at cost, 0, 2,244, and 2,744 shares at December 31, 1996 and 1997 and March 31, 1998, respectively.....	--	(225)	(280)
	-----	-----	-----
Total stockholders' equity.....	6,399	6,548	5,785
	-----	-----	-----
Total liabilities and stockholders' equity.	\$32,851	\$59,947	\$61,559
	=====	=====	=====

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

## HEIDRICK &amp; STRUGGLES INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE FIGURES)

	TWELVE MONTHS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
	(UNAUDITED)				
REVENUE.....	\$52,815	\$64,558	\$82,732	\$17,953	\$28,053
OPERATING EXPENSES:					
Salaries and employee benefits..	35,249	44,020	59,139	12,186	19,841
General and administrative ex- penses.....	14,264	17,100	20,556	4,288	8,315
Total operating expenses.....	49,513	61,120	79,695	16,474	28,156
Operating income (loss).....	3,302	3,438	3,037	1,479	(103)
NON-OPERATING INCOME (EXPENSE)....	338	133	144	38	(112)
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES.....	--	--	(26)	--	--
Income (loss) before income taxes.....	3,640	3,571	3,155	1,517	(215)
PROVISION FOR INCOME TAXES.....	1,840	1,430	1,444	607	306
Net income (loss).....	\$ 1,800	\$ 2,141	\$ 1,711	\$ 910	\$ (521)
BASIC EARNINGS PER CLASS A COMMON SHARE.....	\$ 12.44	\$ 13.56	\$ 9.92	\$ 5.80	\$ (2.83)
BASIC WEIGHTED AVERAGE CLASS A COMMON SHARES OUTSTANDING.....	93,996	102,641	112,098	102,068	119,805
DILUTED EARNINGS PER CLASS A COMMON SHARE.....	\$ 12.44	\$ 13.56	\$ 9.36	\$ 5.80	\$ (2.31)
DILUTED WEIGHTED AVERAGE CLASS A COMMON SHARES OUTSTANDING.....	93,996	102,641	118,868	102,068	146,885
BASIC AND DILUTED EARNINGS PER CLASS B COMMON SHARE.....	\$ 9.57	\$ 11.39	\$ 9.10	\$ 4.84	\$ (2.77)
WEIGHTED AVERAGE CLASS B COMMON SHARES OUTSTANDING.....	65,787	65,787	65,787	65,787	65,787
Net income (loss).....	\$ 1,800	\$ 2,141	\$ 1,711	\$ 910	\$ (521)
Other comprehensive income (loss), before tax:					
Foreign currency translation adjustment.....	232	(191)	(1,331)	(881)	(686)
Other comprehensive income (loss), before tax.....	232	(191)	(1,331)	(881)	(686)
Income tax (expense) benefit related to items of other comprehensive income (loss).....	(117)	76	609	353	302
Other comprehensive income (loss), net of tax.....	115	(115)	(722)	(528)	(384)
Comprehensive income (loss).....	\$ 1,915	\$ 2,026	\$ 989	\$ 382	\$ (905)

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



(unaudited).....	--	--	(500)	(55)	--	--	(55)
Comprehensive income							
Net loss (unaudited)...	--	--	--	--	(521)	--	(521)
							-----
Foreign currency translation adjustment (unaudited).....	--	--	--	--	--	(384)	(384)
							-----
Comprehensive income (unaudited).....							\$ (905)
							=====
Retained earnings allocable to mandatorily redeemable Class A common stock (unaudited).....	--	--	--	--	197	--	197
	-----	-----	-----	-----	-----	-----	-----
BALANCE AT MARCH 31, 1998 (UNAUDITED).....	65,787	\$2,361	(2,744)	\$ (280)	\$ 4,753	\$ (1,049)	\$ 5,785
	=====	=====	=====	=====	=====	=====	=====

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

## HEIDRICK &amp; STRUGGLES INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	TWELVE MONTHS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
	(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss).....	\$ 1,800	\$ 2,141	\$ 1,711	\$ 910	\$ (521)
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization.....	1,230	1,721	2,623	399	1,423
Loss on sale of property and equipment.....	1	162	92	--	--
Deferred income taxes.....	17	(398)	(1,061)	--	(265)
Changes in assets and liabilities:					
Accounts receivable.....	(2,861)	(1,933)	(4,480)	(797)	(3,273)
Prepaid expenses.....	(721)	796	(521)	(305)	368
Other assets.....	26	(612)	(912)	52	837
Accounts payable.....	(1,264)	(563)	2,198	788	(451)
Accrued expenses.....	1,286	4,617	5,275	(3,397)	(4,164)
Income taxes payable.....	(78)	394	1,998	94	9
Net cash (used in) provided by operating activities.....	(564)	6,325	6,923	(2,256)	(6,037)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions.....	(561)	(540)	(10,186)	--	--
Proceeds from sales of property and equipment.....	104	72	82	154	--
Purchases of property and equipment.....	(3,894)	(2,039)	(6,014)	(499)	(1,694)
Net cash used in investing activities....	(4,351)	(2,507)	(16,118)	(345)	(1,694)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of common stock.....	892	737	2,465	377	--
Purchases of treasury stock....	(61)	(406)	(401)	--	(55)
Proceeds from short-term debt..	--	--	7,639	--	7,288
Net cash provided by financing activities....	831	331	9,703	377	7,233
EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS.....					
	198	38	(657)	(343)	61
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS.....	(3,886)	4,187	(149)	(2,567)	(437)
CASH AND CASH EQUIVALENTS:					
Beginning of period.....	7,901	4,015	8,202	8,202	8,053
End of period.....	\$ 4,015	\$ 8,202	\$ 8,053	\$ 5,635	\$ 7,616
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Cash paid for--					
Interest.....	\$ 3	\$ 9	\$ 3	\$ --	\$ 117
Income taxes.....	\$ 2,358	\$ 1,467	\$ 1,418	\$ --	\$ --
SUPPLEMENTAL SCHEDULE OF NONCASH					



OPERATING ACTIVITIES

Payable from the acquisition of net assets.....	\$ 437	\$ --	\$ --	\$ --	\$ --
Issuance of notes payable for the purchase of treasury stock.....	\$ --	\$ --	\$ 249	\$ --	\$ --
	=====	=====	=====	=====	=====

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
[INFORMATION RELATING TO MARCH 31, 1998 AND 1997 IS UNAUDITED]

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE FIGURES)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Heidrick & Struggles International, Inc. and Subsidiaries, (the "Company"), are engaged in providing management consulting and executive search services to clients on a retained basis. The Company's clients are primarily located throughout Europe.

Basis of Accounting

The financial statements of the Company have been prepared in conformity with U.S. generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include Heidrick & Struggles International, Inc. and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting Pronouncements to be Adopted in 1998

During 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes new standards for reporting information about operating segments in interim and annual financial statements. It is effective for periods beginning after December 15, 1997 and will be adopted by the Company as of December 31, 1998. The Company does not expect that adoption of this Standard will not have an impact on its consolidated financial position or its consolidated results of operations. However, it is expected that adoption of this Standard will result in additional footnote disclosure.

During 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," which establishes new standards for reporting information about derivatives and hedging. It is effective for periods beginning after June 15, 1999 and will be adopted by the Company as of January 1, 2000. The Company expects that adoption of this Standard will have no effect on its consolidated financial position, results of operations or on disclosures within the consolidated financial statements as they currently do not engage in the use of derivative instruments or other hedging activities.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with a purchased maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion across many different industries. At December 31, 1997, the Company had no significant concentrations of credit risk.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the shorter of the lease term or the estimated useful life of the asset, as follows:

Office furniture and fixtures.....	8-10 years
Computer equipment and software.....	3-5 years
Automobiles.....	4 years

Depreciation for financial statement purposes for the years ended December 31, 1995, 1996, and 1997 and the three months ended March 31, 1997 and 1998 totaled \$1,189, \$1,594, \$2,315, \$399 and \$1,289, respectively.

Intangible assets are stated at cost and amortized using the straight-line method over the estimated economic useful life. The Company continually evaluates whether subsequent events and circumstances have occurred that indicate the remaining estimated useful life of an intangible asset may warrant revision, or that the remaining balance of an intangible asset may not be recoverable.

Revenue Recognition

Revenue from client services is recognized when services are billed and substantially rendered, generally over a 60 to 90 day period commencing in the month of the initial acceptance of a search. Revenue consists of the amount billed to clients, net of sales taxes.

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Earnings per Common Share

The Company adopted SFAS No. 128, "Earnings Per Share" at December 31, 1997. Basic earnings per common share is computed by dividing net income by weighted average common shares outstanding for the year. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted. In accordance with SFAS No. 128, the Company utilizes the two-class method of calculating earnings per share. As such, the earnings are assigned to each class according to the terms of the stock agreements and earnings per share are computed by dividing the earnings assigned to each class by the shares outstanding in that class.

Translation of Foreign Currencies

The translation of financial statements into U.S. dollars has been performed in accordance with the SFAS No. 52, "Foreign Currency Translation." The local currency for all subsidiaries has been designated as the functional currency except for subsidiaries which operate in highly inflationary economies which use the U.S. dollar as their functional currency. Non-U.S. assets and liabilities have been translated into U.S. dollars at the current rate of exchange prevailing at the balance sheet date. Revenues and expenses have been translated at the

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

average exchange rates for the period. Translation gains and losses are reflected as a separate component of stockholders' equity and not included in income.

Interim Financial Information

The consolidated financial statements and related notes thereto for the three months ended March 31, 1997 and March 31, 1998 are unaudited and have been prepared on the same basis as the audited financial statements included herein. In the opinion of management, such unaudited financial statements include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the information set forth herein. Operating results for the three months ended March 31, 1998 are not necessarily indicative of results that may be expected for the fiscal year ended December 31, 1998.

2. ACQUISITIONS

Tesco AG

On July 20, 1995, the Company acquired 100% of Tesco AG. The purchase price amounted to \$1,406 and the excess of purchase price over the fair value of net assets was \$969. Only \$1,154 of the purchase price was paid and therefore only \$717 of the goodwill was recorded as of December 31, 1997. The goodwill is being amortized over five years and the accumulated amortization amounts to \$314 at December 31, 1997. The amortization expense was \$29, \$127, and \$158 in 1995, 1996, and 1997, respectively.

The remaining part of the purchase price has not yet been paid and is not recorded, as the payment is contingent upon certain conditions, which have not been met.

Mulder & Partner GmbH & Co. KG

Effective October 1, 1997 the Company acquired 100% of Mulder & Partner GmbH & Co. KG ("Mulder"). The Company entered into a deferred contingent payment agreement with the sellers as described below:

- . \$8,695 was paid on October 1, 1997 and \$1,066 of associated transaction costs were incurred; \$5,228 plus 4% interest will be paid in annual equal installments over a five year period ending October 1, 2002.
- . Shares of the Company will be issued over a five year period to the partners of Mulder as follows:

	NUMBER OF SHARES TO BE ISSUED -----
October 1, 1997.....	4,000
January 1, 1999.....	8,000
January 1, 2000.....	7,000
January 1, 2001.....	7,000
January 1, 2002.....	6,000
	-----
	32,000
	=====

At October 1, 1997, consideration corresponding to the issuance of the first 4,000 shares was accounted for at a value of \$106.16 per share, representing the fair value of the shares of the Company at this date. The entire purchase price (initial cash payment, future cash installments and all shares) is contingent upon the continued employment of the selling shareholders for the five year period ending October 1, 2002. A pro rata portion of the total purchase price is forfeited in the event a selling shareholder leaves the employment of the Company prior to October 1, 2002. Due to these employment contingencies, the purchase price has been accounted for as compensation expense over the five year period of the contingency. The purchase agreement between the Company and Mulder has subsequently been amended.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

On July 2, 1998, the Mulder acquisition agreement was amended. See Note 2 for a description of the original Mulder agreement. The amended agreement is contingent upon the merger of the Company and Heidrick & Struggles, Inc. The amended purchase price is \$28,396, which is to be paid as follows:

- . \$8,695 was due and paid in cash, \$1,066 of associated transactions were incurred, and 4,000 shares of the Company's stock were issued to the former stockholders of Mulder on October 1, 1997.
- . \$5,228 plus interest accrued from October 1, 1997 at a rate of 4% is due 30 days after the merger of the Company and Heidrick & Struggles, Inc.
- . \$12,773 represented by shares in Heidrick & Struggles, Inc. is due to the former stockholders of Mulder by October 1, 1998.

All employment contingencies were eliminated from the acquisition agreement.

3. LINE OF CREDIT

The Company was granted a multicurrency line of credit which became effective on October 13, 1997. The \$9,892 line of credit will be reduced annually by \$1,978 on July 1, 1998, 1999, 2000 and 2001. The line of credit will expire on July 1, 2002. The interest rate on the credit line is LIBOR plus 1%. The interest rate at December 31, 1997 was 7.2%. The total outstanding balance was \$7,639 and \$9,779 at December 31, 1997 and March 31, 1998, respectively. The interest expense on the debt was \$21 and \$115 for the year ended December 31, 1997 and the three month period ended March 31, 1998, respectively. The credit line has a financial requirement, which requires that the ratio of total debt to tangible net worth be less than 90%. As a result of this financial requirement, retained earnings are restricted to the extent the ratio of debt to tangible net worth exceeds 90%. Also, no investment greater than \$2 million is allowed without prior approval from the banks. Finally, there may be no substantial sale of German assets without the bank's prior approval. As of December 31, 1997 and March 31, 1998, the Company met all of its financial requirements.

4. RELATED PARTY TRANSACTIONS

At December 31, 1997, Heidrick & Struggles, Inc. owned 35.5% of the stock of the Company. Heidrick & Struggles, Inc. loaned the Company \$5,148 during the first quarter of 1998. The loan was originally due in full on June 17, 1998, but was extended. It is now due in two installments. The first installment of \$2,500 is due on July 31, 1998 and the balance is due on August 31, 1998. The interest rate on this loan is fixed at approximately 6.7%. Accounts receivable includes a receivable of \$367 from Heidrick & Struggles, Inc. at December 31, 1996. Accounts payable includes a payable of \$776 and \$907 to Heidrick & Struggles, Inc. at December 31, 1997 and March 31, 1998, respectively. All transactions between the Company and Heidrick & Struggles, Inc. are recorded at cost.

Based on an agreement between the Company and Heidrick & Struggles, Inc., effective January 1, 1995, 65% of the net income of the Company is allocated to Class A shares and 35% of the net income of the Company is allocated to Class B shares, regardless of the exact percentage of each class holding. Heidrick & Struggles, Inc. owns all Class B shares.

5. LONG-TERM DEBT

Long-term debt consists of amounts due to former stockholders who have sold their stock back to the Company (see Note 7). The obligations are payable in annual installments over a period of five years with interest payable at the prime commercial rate (8.25%, 8.50%, and 8.50% at December 31, 1996 and 1997 and March 31, 1998, respectively).

The fair value of the debt based on current rates for similar debt is estimated to be \$454 at December 31, 1997.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Future principal payments on long-term debt are due as follows:

Years ending December 31--	
1998.....	\$178
1999.....	242
2000.....	56
2001.....	56
2002.....	--
	----
	\$532
	=====

6. STOCKHOLDER AGREEMENTS

In accordance with the terms of the stock purchase agreements between the Company and its Class A stockholders, the Company is obligated to purchase the shares of stock owned by a Class A stockholder if the stockholder desires to sell or transfer the shares, or upon a stockholder's termination of employment at book value as defined in the stock purchase agreements. Redemption amounts relating to the stock purchase agreements are included in Mandatorily Redeemable Common Stock in the accompanying balance sheets. Payments for shares are generally made over a four year period. These agreements will terminate upon successful completion of an initial public offering.

7. INCOME TAXES

The deferred tax assets and liabilities consist of the following components as of December 31, 1996 and 1997:

	1996	1997
	-----	-----
Deferred tax assets--		
Receivable allowances.....	\$ 616	\$ 584
Accrued vacations.....	170	222
Accrued bonuses.....	--	496
Property and equipment.....	826	963
Pension reserve.....	--	2,222
Other accrued expenses.....	--	323
Cumulative translation adjustment.....	--	568
	-----	-----
Net deferred tax assets.....	1,612	5,378
	-----	-----
Deferred tax liabilities--		
Other accrued expenses.....	(84)	--
Cumulative translation adjustment.....	(41)	--
	-----	-----
Net deferred tax liabilities.....	(125)	--
	-----	-----
Net deferred income taxes.....	\$1,487	\$5,378
	=====	=====

The deferred tax amounts mentioned above have been classified in the accompanying consolidated balance sheets as of December 31, 1996, and December 31, 1997, as follows:

	1996	1997
	-----	-----
Current deferred tax assets.....	\$1,612	\$4,810
Current deferred tax liabilities.....	(84)	--
	-----	-----
Net current deferred tax asset.....	1,528	4,810
	-----	-----
Long-term deferred tax asset.....	--	568

Long-term deferred tax liabilities.....	(41)	--
	-----	-----
Net long-term deferred tax.....	(41)	568
	-----	-----
	\$1,487	\$5,378
	=====	=====

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The provision for income taxes for the years ended December 31, 1995, 1996 and 1997, is as follows:

	1995	1996	1997
	-----	-----	-----
Current--			
U.S. Federal.....	\$ 428	\$ 151	\$ 533
Foreign.....	1,395	1,677	1,972
Deferred.....	17	(398)	(1,061)
	-----	-----	-----
	\$1,840	\$1,430	\$ 1,444
	=====	=====	=====

The Company is a U.S. corporation, but operates entirely outside of the U.S., primarily in Europe. The Company pays foreign taxes for operations in each of the foreign countries in which it operates and pays U.S. federal taxes on its total operations after foreign tax credits.

A reconciliation of income tax expense for the years ended December 31, 1995, 1996, and 1997, to the statutory U.S. federal income tax rate of 35%, is as follows:

	1995	1996	1997
	-----	-----	-----
Income taxes at statutory rate.....	\$ 1,274	\$ 1,250	\$ 1,104
Increase (decrease) due to--			
Foreign taxes in excess of federal tax rates...	69	494	357
Alternative minimum tax.	3	67	--
Other, net.....	494	(381)	(17)
	-----	-----	-----
	\$1,840	\$ 1,430	\$ 1,444
	=====	=====	=====

The provision for income taxes for the three months ended March 31, 1997 and 1998 is \$607 and \$306, respectively. The effective tax rate for March 31, 1997 and 1998 is 40% and 100%, respectively.

## 8. COMMITMENTS AND CONTINGENCIES

## OPERATING LEASES:

The Company leases office space in various buildings for its own use. The leases expire at various dates through 2012. The Company also leases computer equipment which is accounted for as an operating lease.

Minimum future lease payments due in each of the next five years ending December 31, are as follows:

Years ending December 31--	
1998.....	\$ 6,877
1999.....	6,576
2000.....	5,937
2001.....	4,657
2002.....	2,195
Thereafter.....	27,249
	-----
	\$53,491
	=====





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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONCLUDED)

Rent expense under operating leases for the years ended December 31, 1995, 1996 and 1997 and for the three months ended March 31, 1997 and 1998 was \$3,621, \$4,707, \$5,307, \$1,202 and \$1,829, respectively.

## LITIGATION

In the normal course of business, the Company is a party to various matters involving disputes and/or litigation. While it is not possible at this time to determine the ultimate outcome of these matters, management believes that the ultimate liability, if any, will not be material to the consolidated financial statements.

## 9. SEGMENT INFORMATION

The Company operates in a single business segment. The Company's geographic data for operations is as follows:

	TWELVE MONTHS ENDED DECEMBER 31,		
	1995	1996	1997
Revenue:			
United Kingdom.....	\$15,491	\$20,565	\$27,588
Germany.....	10,898	12,614	19,900
France.....	9,243	11,211	12,253
Other.....	17,183	20,168	22,991
Total.....	\$52,815	\$64,558	\$82,732
Operating income (loss):			
United Kingdom.....	\$ 883	\$ 589	\$ 1,028
Germany.....	1,134	1,279	1,042
France.....	877	(3)	915
Other.....	408	1,573	52
Total.....	\$ 3,302	\$ 3,438	\$ 3,037
Identifiable assets:			
United Kingdom.....	\$ 5,533	\$ 6,295	\$12,288
Germany.....	4,799	4,729	24,093
France.....	5,424	6,985	9,921
Other.....	10,000	14,842	13,645
Total.....	\$25,756	\$32,851	\$59,947

During all years presented above, no individual customer accounted for greater than 10% of revenue.

## 10. SUBSEQUENT EVENTS

On June 30, 1998, the Company's Board of Directors approved a merger agreement with Heidrick & Struggles, Inc. which details the plan to merge Heidrick & Struggles, Inc. with and into the Company prior to an initial public offering; and recommended that the merger agreement be submitted to the Stockholders for approval. After completion of the merger, the corporation will be named Heidrick & Struggles International, Inc.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
Mulder & Partner GmbH & Co. KG:

We have audited the accompanying consolidated statements of income and related consolidated statements of cash flows of MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES (a German limited partnership) for the nine months ended September 30, 1997 and for each of the two years in the period ending December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the operations of Mulder & Partner GmbH & Co. KG and Subsidiaries and their cash flows for the nine months ended September 30, 1997 and for each of the two years in the period ending December 31, 1996, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Chicago, Illinois  
July 19, 1998

MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE FIGURES)

	TWELVE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,
	1995	1996	1997
REVENUE.....	\$31,529	\$32,560	\$21,816
OPERATING EXPENSES:			
Salaries and employee benefits.....	24,045	24,701	14,610
General and administrative expenses.....	6,560	7,404	5,557
Total operating expenses.....	30,605	32,105	20,167
Operating income.....	924	455	1,649
NON-OPERATING INCOME (EXPENSE):			
Interest income.....	13	28	36
Interest expense.....	(133)	(94)	(159)
Other income.....	581	2,106	529
	461	2,040	406
Income before income taxes.....	1,385	2,495	2,055
PROVISION FOR INCOME TAXES.....	1,149	2,663	1,668
Net income (loss).....	\$ 236	\$ (168)	\$ 387
COMPREHENSIVE INCOME (LOSS).....	\$ 236	\$ (168)	\$ 387

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

MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	TWELVE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,
	1995	1996	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss).....	\$ 236	\$ (168)	\$ 387
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	25	356	231
Deferred income taxes.....	89	72	(2)
Changes in assets and liabilities:			
Trade & other receivables.....	(1,530)	(2,309)	1,319
Prepaid expenses.....	(52)	(173)	170
Accounts payable.....	138	292	(246)
Accrued expenses.....	4,282	2,152	(165)
Income taxes payable.....	195	2,130	1,409
	-----	-----	-----
Net cash provided by operating activities.....	3,383	2,352	3,103
	-----	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment.....	(615)	(991)	(21)
Purchases of long-term investments.....	(1,965)	(2,212)	(455)
	-----	-----	-----
Net cash used in investing activities..	(2,580)	(3,203)	(476)
	-----	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid.....	(1,411)	(872)	(557)
Proceeds from long-term debt.....	376	1,299	--
Payments on long-term debt.....	--	--	(1,964)
	-----	-----	-----
Net cash provided by (used in) financing activities.....	(1,035)	427	(2,521)
	-----	-----	-----
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS.....</b>			
	65	(38)	(25)
	-----	-----	-----
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>			
	(167)	(462)	81
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of period.....	812	645	183
	-----	-----	-----
End of period.....	\$ 645	\$ 183	\$ 264
	=====	=====	=====
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash paid for--			
Interest.....	\$ 133	\$ 94	\$ 159
Income taxes.....	\$ 864	\$ 761	\$ 140
	=====	=====	=====

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

MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES

NOTES TO CONSOLIDATED INCOME STATEMENTS AND  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 1997

1. NATURE OF BUSINESS AND SUMMARY OF GENERAL ACCOUNTING PRINCIPLES

Nature of Business

Mulder & Partner GmbH & Co. KG and Subsidiaries (as of December 31, 1995: Mulder & Partner GmbH) (the "Company") are engaged in providing management consulting and executive search services to clients on a retained basis. The Company's clients are primarily located in Germany.

Basis of Accounting

The financial statements of the Company have been prepared in conformity with U.S. generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include Mulder & Partner GmbH & Co., KG and its wholly and majority owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the useful lives of the assets and German tax law as follows:

Office furniture and fixtures.....	4-20 years
Computer equipment and software.....	2-3 years

Depreciation for consolidated financial statement purposes for the years ended December 31, 1995 and 1996 and the nine months ended September 30, 1997 totaled \$25, \$356 and \$231, respectively.

Revenue Recognition

Revenue from client services is recognized when services are rendered, generally over a 90 day period commencing in the month of the initial acceptance of a search. Revenue consists of the amount billed to clients, net of expenses and value added taxes.

Translation of Foreign Currencies

The consolidated financial statements were translated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." The functional currency for the Company is the German Deutschmark. The consolidated financial statements have been translated into U.S. Dollars by applying the average annual exchange rates on the consolidated income statements and the consolidated statements of cash flows.

## 2. INCOME TAXES

The provision for income taxes for the years ended December 31, 1995 and 1996 and the nine months ended September 30, 1997, is as follows:

	BEFORE REORGANIZATION (SEE BELOW)	AFTER REORGANIZATION (SEE BELOW)	AFTER REORGANIZATION (SEE BELOW)
	1995	1996	NINE MONTHS ENDED SEPTEMBER 30, 1997
	-----	-----	-----
Current taxes--			
Trade taxes on income			
(Municipality tax).....	\$ 325	\$2,591	\$1,666
Corporate income tax			
including Solidarity			
Surcharge (Federal tax)....	735	--	--
Deferred taxes.....	89	72	2
	-----	-----	-----
	\$1,149	\$2,663	\$1,668
	=====	=====	=====

A reconciliation of income tax expense for the years ended December 31, 1995 and 1996 and the nine months ended September 30, 1997 to the statutory German trade tax rate of 19% is as follows:

	1995	1996	NINE MONTHS ENDED SEPTEMBER 30, 1997
	-----	-----	-----
Income taxes at statutory rate.....	\$ 263	\$ 474	\$ 390
Increase due to--			
Corporate income tax at statutory rate of			
45% including Solidarity Surcharge of 7.5%.	670	--	--
Nondeductible expenses.....	216	2,189	1,278
	-----	-----	-----
	\$1,149	\$2,663	\$1,668
	=====	=====	=====

Since the change of the legal status of Mulder & Partner GmbH in 1996 the Company is only subject to trade tax on income. With notarial deed dated June 13, 1996, Mulder & Partner GmbH was reorganized retroactively (effective January 1, 1996) from a limited liability corporation into Mulder & Partner GmbH & Co., KG (a limited partnership with a limited liability corporation as general partner) according to Sect. 190 following the German Reorganization Law ("Umwandlungsgesetz"). Due to the change of the legal status, the Company is no longer subject to German corporate income taxation. The income of the partnership is now taxed at the level of the individual partners.

The reorganization has been performed at book value without realizing any capital gain or loss. Accordingly the reorganization has not had any German income tax implications.

## DEFERRED TAXES

Deferred taxes are applicable for German trade tax on income and German corporate income tax.

## 3. COMMITMENTS AND CONTINGENCIES

### OPERATING LEASES:

The Company leases office space in various buildings for its own use. These leases expire at various dates through 2002. The Company also leases computer equipment and automobiles which are accounted for as operating leases.

Minimum future lease payments due in each of the next five years ending December 31, are as follows:

Years ending December 31

1998.....	\$ 952
1999.....	940
2000.....	889
2001.....	427
2002.....	239
	-----
	\$3,447
	=====

Rent expense under operating leases for the years ended December 31, 1995, 1996, and the nine months ended September 30, 1997 was \$978, \$1,157 and \$789, respectively.

LITIGATION

In the normal course of business, the Company is a party to various matters involving disputes and/or litigation. While it is not possible at this time to determine the ultimate outcome of these matters, management believes that the ultimate liability, if any, will not be material to the consolidated financial statements.

4. SEGMENT INFORMATION

The Company operates as a single business segment and in a single primary geographic location (Germany).



[ANNEX A -- MERGER AGREEMENT]

[TO COME]

[ANNEX B -- SECTION 262 OF THE DGCL]

[TO COME]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of the State of Delaware (the "Delaware Law") authorizes the Registrant to indemnify the officers and directors of the Company, under certain circumstances and subject to certain conditions and limitations as stated therein, against all expenses and liabilities incurred by or imposed upon them as a result of actions, suits and proceedings, civil or criminal, brought against them as such officers and directors if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the Registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful.

Reference is hereby made to the Registrant's Amended By-laws, a copy of which is filed as Exhibit 3.02, which provides for indemnification of officers and directors of the Registrant to the full extent authorized by Section 145 of the Delaware Law. The Amended By-laws authorize the Registrant to purchase and maintain insurance on behalf of any officer, director, employee, trustee or agent of the Registrant or its subsidiaries against any liability asserted against or incurred by them in such capacity or arising out of their status as such, whether or not the Registrant would have the power to indemnify such officer, director, employee, trustee or agent against such liability under the provisions of such Article or Delaware law.

The Registrant maintains a directors' and officers' insurance policy which insures the officers and directors of the Registrant from any claim arising out of an alleged wrongful act by such persons in their respective capacities as officers and directors of the Registrant.

Section 102(b)(7) of the Delaware Law permits corporations to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for breach of a fiduciary duty of care as a director. Reference is made to the Registrant's Amended and Restated Certificate of Incorporation, a copy of which is filed as Exhibit 3.01, which limits a director's liability in accordance with such Section.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) EXHIBITS:

EXHIBIT NUMBER -----	DESCRIPTION -----
2.01	Merger Agreement for merger of Heidrick & Struggles, Inc. with the Registrant (contained in Annex A to Joint Consent Statement/Prospectus)
3.01	Form of Amended Certificate of Incorporation of the Registrant (contained in Annex A to Joint Consent Statement/Prospectus)
3.02	Form of Amended By-laws of the Registrant
4.01	Specimen stock certificate*
5.01	Opinion of Simpson Thacher & Bartlett as to the legality of the Company Common Stock*
8.01	Opinion of Kramer, Levin, Naftalis & Frankel as to certain federal income tax consequences*
10	Material contracts*
11	Statement re: computation of per share earnings*
12	Statement re: computation of ratios*
21	Subsidiaries of the Registrant*
23.01	Consent of Arthur Andersen LLP
23.02	Consent of Barbier Frinault & Associates (Arthur Andersen)
23.03	Consent of Simpson Thacher & Bartlett (contained in Exhibit 5.01)
23.04	Consent of Kramer, Levin, Naftalis & Frankel (contained in Exhibit 8.01)
24.01	Powers of Attorney (included in signature page)
27.01	Financial Data Schedule*

\* To be filed by amendment.

(b) FINANCIAL STATEMENT SCHEDULES:

Schedule II--H&S Inc. Allowance for doubtful accounts.

ITEM 22. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the Offering of such securities at that time shall be deemed to be the initial bona fide International Representative thereof.

The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents files subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

The Registrant undertakes that every prospectus: (i) that is filed pursuant to paragraph (1) immediately preceding or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Chicago, State of Illinois, on the 7th day of August, 1998.

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

/s/ Donald M. Kilinski

By \_\_\_\_\_

Chief Financial Officer and  
Treasurer

Title \_\_\_\_\_

SIGNATURES AND  
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Richard D. Nelson and Donald M. Kilinski, or any one of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to the Registration Statement, including post-effective amendments, and registration statements filed pursuant to Rule 462 under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and does hereby grant unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities on the 7th day of August, 1998.

SIGNATURE - - - - -	TITLE -----
<hr/> /s/ Gerard Clery-Melin <hr/> Gerard Clery-Melin (principal executive officer)	President, Chief Executive Officer and Director
<hr/> /s/ Donald M. Kilinski <hr/> Donald M. Kilinski (principal financial and accounting officer)	Chief Financial Officer and Treasurer
<hr/> /s/ Peter R. Breen <hr/> Peter R. Breen	Director
<hr/> /s/ Romeo Crameri <hr/> Romeo Crameri	Director
<hr/> /s/ Milena Djurdjevic <hr/> Milena Djurdjevic	Director
<hr/> /s/ Bengt Lejsved <hr/> Bengt Lejsved	Director
<hr/> /s/ Jurgen Mulder <hr/> Jurgen Mulder	Director
<hr/> /s/ Richard D. Nelson <hr/> Richard D. Nelson	Director
<hr/> /s/ Christoph Netta <hr/> Christoph Netta	Director
<hr/> /s/ Patrick S. Pittard <hr/> Patrick S. Pittard	Director
<hr/> /s/ Reinhard H. Thiele <hr/> Reinhard H. Thiele	Director



SCHEDULE II

HEIDRICK & STRUGGLES, INC.

	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS & EXPENSES	DEDUCTION	BALANCE AT END OF YEAR
	-----	-----	-----	-----
Year Ended December 31:				
Allowance for doubtful accounts				
1997.....	\$1,925	\$3,324	\$(1,973)	\$3,276
	-----	-----	-----	-----
1996.....	\$1,617	\$2,263	\$(1,955)	\$1,925
	-----	-----	-----	-----
1995.....	\$1,691	\$1,504	\$(1,578)	\$1,617
	-----	-----	-----	-----

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



CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the use of our reports (and to all references to our firm) included in or made part of this registration statement.

ARTHUR ANDERSEN LLP

Chicago, Illinois  
August 6, 1998

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the use of our reports (and to all references to our firm) included in or made part of this registration statement.

BARBIER FRINAULT & ASSOCIES  
ARTHUR ANDERSEN LLP

Neuilly-sur-Seine, France  
August 6, 1998