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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

OR

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

For the transition period from to

Commission File Number 0-25837

HEIDRICK & STRUGGLES INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**36-2681268**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

233 South Wacker Drive-Suite 4200
Chicago, Illinois
60606-6303
(Address of Principal Executive Offices)

(312) 496-1200
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

As of August 1, 2008, there were 16,469,414 shares of the Company's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2008 (Unaudited)	December 31, 2007
Current assets:		
Cash and cash equivalents	$ 146,074	$ 260,580
Short-term investments	—	22,275
Accounts receivable, less allowance for doubtful accounts of $5,010 and $4,262 at June 30, 2008 and December 31, 2007, respectively	115,828	82,240
Other receivables	7,072	5,868
Prepaid expenses	21,159	15,026
Other current assets	1,537	1,419
Income taxes recoverable, net	4,039	—
Deferred income taxes, net	15,211	15,290
Total current assets	310,920	402,698
Non-current assets:		
Property and equipment, net	19,615	18,730
Restricted cash	9,806	9,826
Assets designated for retirement and pension plans	28,106	26,067
Investments	9,831	7,832
Other non-current assets	6,002	6,296
Goodwill	92,223	84,217
Other intangible assets, net	15,621	15,363
Deferred income taxes, net	40,986	45,855
Total non-current assets	222,190	214,186
Total assets	$ 533,110	$ 616,884

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2008 (Unaudited)	December 31, 2007
Current liabilities:		
Accounts payable	$ 8,251	$ 8,699
Accrued salaries and employee benefits	113,763	197,954
Other current liabilities	43,856	44,376
Current portion of accrued restructuring charges	2,741	2,813
Income taxes payable, net	—	995
Total current liabilities	168,611	254,837
Non-current liabilities:		
Retirement and pension plans	33,271	28,831
Non-current portion of accrued restructuring charges	5,439	6,735
Other non-current liabilities	24,276	16,681
Total non-current liabilities	62,986	52,247
Total liabilities	231,597	307,084
Commitments and contingencies (Note 14)	—	—
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, no shares issued at June 30, 2008 and December 31, 2007	—	—
Common stock, $.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 16,465,355 and 17,272,005 shares outstanding at June 30, 2008 and December 31, 2007, respectively	196	196
Treasury stock at cost, 3,120,422 and 2,313,772 shares at June 30, 2008 and December 31, 2007, respectively	(108,307)	(88,871)
Additional paid in capital	264,820	273,287
Retained earnings	116,062	100,624
Accumulated other comprehensive income	28,742	24,564
Total stockholders' equity	301,513	309,800
Total liabilities and stockholders' equity	$ 533,110	$ 616,884

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

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Revenue:				
Revenue before reimbursements (net revenue)	$169,518	$160,053	$322,657	$303,179
Reimbursements	8,297	7,308	15,099	13,758
Total revenue	177,815	167,361	337,756	316,937
Operating expenses:				
Salaries and employee benefits	117,318	110,686	227,924	209,045
General and administrative expenses	33,533	29,855	65,190	58,295
Reimbursed expenses	8,297	7,308	15,099	13,758
Total operating expenses	159,148	147,849	308,213	281,098
Operating income	18,667	19,512	29,543	35,839
Non-operating income (expense):				
Interest income	942	1,627	3,000	3,503
Interest expense	(37)	(8)	(54)	(46)
Other, net	982	384	(105)	558
Net non-operating income	1,887	2,003	2,841	4,015
Income before income taxes	20,554	21,515	32,384	39,854
Provision for income taxes	7,810	496	12,572	8,759
Net income	$ 12,744	$ 21,019	$ 19,812	$ 31,095
Basic weighted average common shares outstanding	16,884	18,034	17,090	17,939
Diluted weighted average common shares outstanding	17,672	18,981	18,066	19,002
Basic earnings per common share	$ 0.75	$ 1.17	$ 1.16	$ 1.73
Diluted earnings per common share	$ 0.72	$ 1.11	$ 1.10	$ 1.64
Cash dividends paid per share	$ 0.13	$ —	$ 0.26	$ —

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

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Common Stock		Treasury Stock					
	Shares	Amount	Shares	Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2007	19,586	$ 196	2,314	$ (88,871)	$273,287	$100,624	$ 24,564	$309,800
Net income	—	—	—	—	—	19,812	—	19,812
Other comprehensive income:								
Unrealized loss on available for sale investments	—	—	—	—	—	—	(361)	(361)
Foreign currency translation adjustment	—	—	—	—	—	—	4,539	4,539
Other comprehensive income	—	—	—	—	—	19,812	4,178	23,990
Treasury and common stock transactions:								
Issuance of restricted stock units previously classified as liabilities	—	—	—	—	10,536	—	—	10,536
Stock-based compensation	—	—	—	—	11,793	—	—	11,793
Exercise of stock options	—	—	(44)	1,643	(1,063)	—	—	580
Vesting of restricted stock units, net of tax withholdings	—	—	(509)	19,701	(27,952)	—	—	(8,251)
Purchases of treasury stock	—	—	1,368	(41,088)	—	—	—	(41,088)
Issuance of treasury stock	—	—	(9)	308	(70)	—	—	238
Cash dividends ($0.13 per share)	—	—	—	—	—	(4,374)	—	(4,374)
Tax charges related to stock-based compensation	—	—	—	—	(1,711)	—	—	(1,711)
Balance at June 30, 2008	**19,586**	**$ 196**	**3,120**	**$(108,307)**	**$264,820**	**$116,062**	**$ 28,742**	**$301,513**

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Cash flows from operating activities:		
Net income	$ 19,812	$ 31,095
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,360	5,516
Deferred income taxes	4,975	(8,444)
Net realized and unrealized losses on equity and warrant portfolio	2	123
Stock-based compensation expense, net	12,569	18,047
Cash paid for restructuring charges	(1,405)	(2,047)
Changes in assets and liabilities:		
Trade and other receivables	(33,783)	(33,554)
Accounts payable	361	682
Accrued expenses	(76,963)	(41,888)
Income taxes recoverable, net	(7,093)	(1,847)
Other assets and liabilities, net	(7,493)	(6,097)
Net cash used in operating activities	(83,658)	(38,414)
Cash flows from investing activities:		
Restricted cash	138	(1,236)
Acquisition of businesses, net of cash acquired	(11,045)	(1,261)
Capital expenditures	(5,168)	(3,010)
Proceeds from sales of equity securities	426	305
Payments to consultants related to sales of equity securities	(169)	(124)
Proceeds from sales of short-term investments	22,275	81,325
Purchases of short-term investments	—	(78,725)
Proceeds from sale of a business	1,559	—
Other, net	8	17
Net cash provided by (used in) investing activities	8,024	(2,709)
Cash flows from financing activities:		
Proceeds from stock options exercised	580	16,983
Purchases of treasury stock	(41,987)	(24,887)
Excess tax benefits related to stock-based compensation	—	7,571
Cash dividends paid	(4,481)	—
Other	128	293
Net cash used in financing activities	(45,760)	(40)
Effect of foreign currency exchange rates on cash and cash equivalents	6,888	2,917
Net decrease in cash and cash equivalents	(114,506)	(38,246)
Cash and cash equivalents at beginning of period	260,580	147,440
Cash and cash equivalents at end of period	$ 146,074	$ 109,194
Supplemental schedule of noncash financing activities:		
Beginning of period – Accrued treasury stock purchases	$ 1,605	$ —
Treasury stock purchases	41,088	25,907
Cash paid for treasury stock purchases	(41,987)	(24,887)
Accrued treasury stock purchases	$ 706	$ 1,020

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All tables in thousands, except per share amounts)
(Unaudited)

1. Basis of Presentation of Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of Heidrick & Struggles International, Inc., and subsidiaries (the "Company"), included herein have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. In the opinion of management, the financial statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's financial position, results of operations, stockholders' equity and cash flows. These financial statements and notes are to be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC on February 28, 2008.

2. Summary of Significant Accounting Policies

A complete listing of the Company's significant accounting policies is discussed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC on February 28, 2008.

Reclassifications

Certain amounts in previously issued financial statements have been reclassified to conform to the current year presentation.

Recently Adopted Financial Accounting Standards

On January 1, 2008, the Company adopted SFAS No. 157 "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. See Note 5, *Fair Value Measurements*, for disclosures required by SFAS No. 157. In February 2008, the FASB released FASB Staff Position (FSP FAS 157-2 – Effective Date of FASB Statement No. 157), which delayed the effective date of SFAS No. 157 for nonfinancial assets, such as goodwill and long-lived assets, and nonfinancial liabilities, subject to certain exceptions, until January 1, 2009. The adoption of SFAS No. 157 for financial assets and liabilities did not have a material impact on the Company's financial condition or results of operations.

On January 1, 2008, the Company adopted SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of SFAS No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. The adoption of SFAS No. 159 did not have a material impact on the Company's financial condition or results of operations.

Recently Issued Financial Accounting Standards

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) requires that all business combinations be accounted for by applying the acquisition method. Under the acquisition method, the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, and any contingent consideration and contractual contingencies, as a whole, at their fair values as of the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recorded against income tax expense. The adoption of SFAS No. 141(R) will change the Company's accounting treatment for business combinations on a prospective basis beginning on January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 160 is effective for the Company on a prospective basis for business combinations with an acquisition date beginning as of January 1, 2009. Currently the Company does not have any minority interests.

3. Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)").

A summary of information with respect to share-based compensation is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Total share-based compensation expense included in net income	$ 5,919	$ 10,488	$12,569	$18,047
Income tax benefit to share-based compensation included in net income	2,368	4,090	5,027	7,038

Restricted Stock Units

Restricted stock unit activity for the six months ended June 30, 2008:

	Number of Restricted Stock Units	Weighted-Average Grant-date Fair Value
Outstanding on December 31, 2007	1,634,736	$ 40.23
Granted	1,165,140	$ 33.23
Vested and converted to common stock	(736,964)	$ 39.01
Forfeited	(83,174)	$ 38.67
Outstanding on June 30, 2008	1,979,738	$ 36.63

As of June 30, 2008, there was $34.7 million of pre-tax total restricted stock unit compensation expense related to nonvested awards not yet recognized, which is expected to be recognized over a weighted average period of 2.3 years.

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Non-qualified Stock Options

Non-qualified stock option activity for the six months ended June 30, 2008:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding on December 31, 2007	714,895	$ 30.35	2.4	$ 10,395
Granted	141,952	$ 33.54		
Exercised	(43,516)	$ 13.32		
Expired	(8,393)	$ 35.31		
Forfeited	(19,168)	$ 42.55		
Outstanding on June 30, 2008	785,770	$ 31.51	3.2	$ 11,564
Exercisable on June 30, 2008	582,646	$ 29.96	1.7	$ 9,294

As of June 30, 2008, there was $1.9 million of pre-tax total stock option compensation expense related to nonvested awards not yet recognized, which is expected to be recognized over a weighted average period of 1.3 years.

Additional information pertaining to non-qualified stock options:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Weighted average grant-date fair value of stock options granted	$ 8.90	$ 14.00	$ 10.42	$ 13.73
Total grant-date fair value of stock options vested	515	1,741	1,501	2,596
Total intrinsic value of stock options exercised	261	9,746	830	16,403

4. Restricted Cash

The Company had deposits of $8.3 million at June 30, 2008 and December 31, 2007, respectively, in a U.S dollar bank account in support of a €5.7 million (equivalent to $8.9 million at June 30, 2008) bank guarantee related to an ongoing tax audit in a European country. The Company earns a market rate of interest on this cash deposit, which is reviewed quarterly. The bank guarantee is determined based upon the tax audit assessment of €4.3 million (equivalent to $6.7 million at June 30, 2008) plus post-assessment accrued interest on that assessment amount. See Note 14, *Commitments and Contingencies*, for a discussion of the tax audit.

Based on the restrictions of the use of the pledged cash and the terms of the guarantee, the Company has reported these funds as restricted cash in non-current assets on the Condensed Consolidated Balance Sheets as of June 30, 2008 and December 31, 2007. At this time, the Company is not able to determine when a settlement will be reached.

Restricted cash also includes $1.5 million at June 30, 2008 and December 31, 2007, respectively, in support of lease guarantees. In accordance with the terms of the lease agreements, the cash balances are restricted through the term of the lease agreements which extend through 2013.

5. Fair Value Measurements

On January 1, 2008, the Company adopted SFAS No. 157 for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. Fair value is defined by SFAS 157 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Substantially all of the Company’s financial assets that are measured at fair value on a recurring basis are measured using Level 1 inputs.

6. Acquisitions

Advantage Recruitment (Thailand) Ltd.

During the first quarter of 2008, the Company acquired Advantage Recruitment (Thailand) Ltd. (“Advantage Recruitment”) pursuant to an asset purchase for $0.2 million, which was funded from existing cash. The Company recorded $0.2 million of goodwill related to the acquisition. The previous owner, who is now a Heidrick & Struggles employee, is eligible to receive earnout payments up to a total of $0.2 million.

Schwab Enterprise, LLC

On April 9, 2008, the Company acquired Schwab Enterprise, LLC (“Schwab”), an executive search boutique firm in the United States, specializing in the hedge fund sector. The Company acquired Schwab for $1.6 million plus $0.1 million of capitalized acquisition costs pursuant to a stock purchase, which was funded from existing cash. In addition, the Company accrued $0.2 million related to working capital adjustments that will be paid in the third quarter of 2008. As part of the purchase price, the Company acquired $1.0 million of assets and assumed $0.4 million of liabilities. The Company also recorded $0.3 million of identifiable intangible assets and $1.0 million of goodwill. The previous owners of Schwab, who are now Heidrick & Struggles employees, will be eligible to receive earnout payments of up to $4.4 million based on the achievement of certain revenue metrics in 2009, 2010, and 2011 such that total cash consideration paid to the sellers will not exceed $6.0 million. This acquisition is not considered material to the Company, and, therefore, pro-forma information has not been presented. See Note 7, *Goodwill and Other Intangible Assets*, for a discussion of the acquired assets.

IronHill Partners, LLC

On May 23, 2008, the Company acquired IronHill Partners, LLC (“IronHill”), an executive search boutique firm in the United States, specializing in the venture capital sector with a particular focus on technology companies. The Company acquired IronHill for $4.5 million plus $0.2 million of capitalized acquisition costs pursuant to an asset purchase, which was funded from existing cash. In addition, the Company accrued $0.1 million related to working capital adjustments that will be paid in the third quarter of 2008. As part of the purchase price, the Company acquired $0.5 million of assets and assumed $0.1 million of liabilities. The Company also recorded $0.8 million of identifiable intangible assets and $3.6 million of goodwill based upon a preliminary third-party valuation. The previous owners of IronHill, who are now Heidrick & Struggles employees, will be eligible to receive earnout payments up to $4.5 million based on the achievement of certain revenue metrics in 2009, 2010, and 2011 such that total cash consideration paid to the sellers will not exceed $9.0 million. This acquisition is not considered material to the Company, and, therefore, pro-forma information has not been presented. See Note 7, *Goodwill and Other Intangible Assets*, for a discussion of the acquired assets.

These acquisitions were accounted for using the purchase method of accounting for business combinations, and the results of operations of these entities have been included in the consolidated financial statements since their respective acquisition dates.

7. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill by segment for the six months ended June 30, 2008 are as follows:

	Americas	Europe	Asia Pacific	Total
Balance at December 31, 2007	$59,341	$20,409	$4,467	$84,217
Advantage Recruitment acquisition	—	—	171	171
Schwab acquisition	1,048	—	—	1,048
IronHill acquisition	3,601	—	—	3,601
Highland Partners earnout	2,300	8	48	2,356
RentonJames earnout adjustment	—	—	(321)	(321)
Exchange rate fluctuations	(77)	1,244	(16)	1,151
Balance at June 30, 2008	$66,213	$21,661	$4,349	$92,223

Refer to Note 6, *Acquisitions*, for a description of the goodwill associated with the acquisitions of Advantage Recruitment, Schwab and IronHill.

In connection with the Company's 2006 acquisition of Highland Partners, Hudson Highland Group, Inc. is eligible to receive up to $15.0 million in earnout payments based on the acquired consultants achieving certain revenue metrics in 2007 and 2008. The Company paid $3.4 million of the earnout related to 2007 performance in April 2008 and has accrued $2.4 million related to amounts earned from January 1, 2008 through June 30, 2008, which will be paid in the first quarter of 2009.

In connection with the Company's 2007 acquisition of RentonJames, the previous owners, who are now Heidrick & Struggles employees, are eligible to receive earnout payments up to a total of $2.8 million based on achievement of certain revenue metrics in 2007, 2008 and 2009. The Company paid $1.3 million of the earnout related to 2007 performance in June 2008.

The purchase price allocation and the resulting goodwill and identifiable intangible assets recorded at June 30, 2008 could change as a result of the finalization of purchase accounting adjustments and additional earnout amounts that may become payable based on performance within the respective earnout periods. The Company does not believe these changes, if any, would be material.

Other Intangible Assets

The carrying amount of amortizable intangible assets and the related accumulated amortization are as follows:

	Weighted Average Life (in years)	June 30, 2008 Gross Carrying Amount	June 30, 2008 Accumulated Amortization	June 30, 2008 Net Carrying Amount	December 31, 2007 Gross Carrying Amount	December 31, 2007 Accumulated Amortization	December 31, 2007 Net Carrying Amount
Client relationships	14.2	$24,351	$ (10,220)	$14,131	$22,924	$ (9,130)	$13,794
Candidate database	6.0	1,800	(525)	1,275	1,800	(375)	1,425
Other	3.7	264	(49)	215	175	(31)	144
Total intangible assets		$26,415	$ (10,794)	$15,621	$24,899	$ (9,536)	$15,363

During the second quarter of 2008, the Company recorded $0.3 million of intangible assets in conjunction with the acquisition of Schwab, consisting entirely of client relationships amortized over 11 years. Additionally, the Company recorded $0.8 million of intangible assets in conjunction with the acquisition of IronHill, consisting of client relationships of $0.7 million amortized over 11 years, non-compete agreements of $0.1 million amortized over three years and backlog of less than $0.1 million amortized over one year.

Intangible amortization expense for the three months ended June 30, 2008 and 2007 was $0.5 million and $0.6 million, respectively. Intangible amortization expense for the six months ended June 30, 2008 and 2007 was $1.1 million and $1.2 million, respectively. The estimated intangible amortization expense is approximately $2.2 million for fiscal years 2008 through 2009, $2.0 million for fiscal year 2010, $1.8 million for fiscal year 2011, and $1.6 million for fiscal year 2012. These amounts are based on intangible assets recorded as of June 30, 2008 and actual amortization expense could differ from these estimates as a result of future acquisitions, finalization of purchase accounting adjustments, and other factors.

8. Components of Net Periodic Benefit Cost

The Company maintains a pension plan for certain employees in Germany. The pensions are individually fixed euro amounts that vary depending on the function and the eligible years of service of the employee.

The components of net periodic benefit cost are as follows:

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Service cost	$ 37	$ 36	$ 72	$ 71
Interest cost	341	274	670	542
Amortization of net gain	(177)	(31)	(347)	(61)
Net periodic benefit cost	$ 201	$ 279	$ 395	$ 552

The pension benefits are fully reinsured through a group insurance contract with Victoria Lebensversicherung AG. The change in the fair value of these assets approximates the net periodic benefit cost for the three and six months ended June 30, 2008.

9. Basic and Diluted Earnings Per Common Share

A reconciliation of the basic and diluted earnings per common share, and the shares used in the computation, is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	$12,744	$21,019	$19,812	$31,095
Weighted average common shares outstanding	16,884	18,034	17,090	17,939
Dilutive common shares	788	947	976	1,063
Weighted average diluted common shares outstanding	17,672	18,981	18,066	19,002
Basic earnings per common share	$ 0.75	$ 1.17	$ 1.16	$ 1.73
Diluted earnings per common share	$ 0.72	$ 1.11	$ 1.10	$ 1.64

Options to purchase 0.6 million shares of common stock that were outstanding at June 30, 2008 were not included in the respective computation of diluted earnings per share as the exercise prices of these options were greater than the average market price of the common shares.

10. Restructuring Charges

Changes in the accrual for restructuring charges for the six months ended June 30, 2008 are as follows:

Accrual balance at December 31, 2007	$ 9,548
Cash payments	(1,405)
Exchange rate fluctuations	37
Accrual balance at June 30, 2008	$ 8,180

The accrued restructuring charges as of June 30, 2008 relate to real estate leases, which require cash payments through the lease terms, reduced by sublease income, or until such time as lease negotiations with the lessor to terminate the lease are completed. Based on current estimates, the Company expects that cash outlays over the next twelve months related to restructuring charges accrued at June 30, 2008 will be $2.7 million with the remainder payable over the remaining lease terms of the vacated properties, which extend through 2013.

11. Income Taxes

In determining the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate based on expected annual income by jurisdiction, statutory tax rates, and tax planning opportunities available in the various jurisdictions in which the Company operates. The impact of discrete items is separately recognized in the quarter in which they occur.

In the second quarter of 2008, the Company reported income before taxes of $20.6 million and recorded an income tax provision of $7.8 million. The Company’s effective tax rate for the second quarter of 2008 was 38.0%.

For the first six months of 2008, the Company reported income before taxes of $32.4 million and recorded an income tax provision of $12.6 million. The Company’s effective tax rate for the six months ended June 30, 2008 was 38.8%.

In the second quarter of 2007, the Company reported income before taxes of $21.5 million and recorded an income tax provision of $0.5 million. The Company’s effective tax rate for the second quarter of 2007 was 2.3%, which was significantly lower than the annual effective tax rate before discrete items of 41.7% as a result of releasing certain amounts of valuation allowance associated with foreign tax credits and the Company’s ability to benefit from these credits in the future. The significant improvement in the financial performance of the Company's foreign branches allowed the Company to benefit from these foreign tax credits. These items resulted in a net tax benefit in the quarter of $8.5 million.

For the first six months of 2007, the Company reported income before taxes of $39.9 million and recorded an income tax provision of $8.8 million. The Company's effective tax rate for the six months ended June 30, 2007 was 22.0%. This rate was lower than the annual effective tax rate before discrete items of 41.7% primarily due to the discrete items recorded in the second quarter of 2007 as discussed above.

12. Segment Information

The Company operates its executive search and leadership consulting services in three geographic regions: the Americas, which includes the United States, Canada, Mexico and Latin America; Europe, which includes the Middle East and Africa; and Asia Pacific.

For segment purposes, reimbursements of out-of-pocket expenses classified as revenue are reported separately and therefore are not included in the net revenue by geographic region. The Company believes that analyzing trends in revenue before reimbursements (net revenue) and analyzing operating expenses as a percentage of net revenue more appropriately reflects the Company's core operations.

The revenue, operating income, depreciation and amortization, and capital expenditures, by segment, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
Americas	$ 87,002	$ 88,204	$164,339	$171,603
Europe	53,344	52,475	106,210	95,030
Asia Pacific	29,172	19,374	52,108	36,546
Revenue before reimbursements (net revenue)	169,518	160,053	322,657	303,179
Reimbursements	8,297	7,308	15,099	13,758
Total	$177,815	$167,361	$337,756	$316,937
Operating income:				
Americas	$ 12,558	$ 19,421	$ 24,282	$ 36,089
Europe	7,680	7,385	12,941	11,184
Asia Pacific	6,619	5,199	9,341	9,578
Total regions	26,857	32,005	46,564	56,851
Corporate	(8,190)	(12,493)	(17,021)	(21,012)
Total	$ 18,667	$ 19,512	$ 29,543	$ 35,839

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Depreciation and amortization:				
Americas	$ 1,177	$ 1,416	$2,503	$2,823
Europe	731	863	1,412	1,710
Asia Pacific	581	341	1,110	605
Total regions	2,489	2,620	5,025	5,138
Corporate	164	196	335	378
Total	$ 2,653	$ 2,816	$5,360	$5,516
Capital expenditures:				
Americas	$ 975	$ 333	$1,802	$1,133
Europe	292	363	1,303	556
Asia Pacific	349	397	1,916	1,321
Total regions	1,616	1,093	5,021	3,010
Corporate	—	—	147	—
Total	$ 1,616	$ 1,093	$5,168	$3,010

The identifiable assets, and goodwill and other intangible assets, by segment, are as follows:

	June 30, 2008	December 31, 2007
Identifiable assets:		
Americas	$217,148	$ 199,854
Europe	167,086	188,030
Asia Pacific	75,484	82,059
Total regions	459,718	469,943
Corporate	73,392	146,941
Total	$533,110	$ 616,884
Goodwill and other intangible assets, net:		
Americas	$ 77,093	$ 69,941
Europe	25,684	24,428
Asia Pacific	5,067	5,211
Total	$107,844	$ 99,580

13. Guarantees

The Company has provided a bank guarantee to a European country’s tax authority in the amount of the tax authority’s audit assessment plus post-assessment interest as required by law. The amount of this bank guarantee is €5.7 million (equivalent to $8.9 million at June 30, 2008). The bank guarantee is determined based upon the tax audit assessment plus post-assessment accrued interest. See Note 4, *Restricted Cash.*

The Company has issued guarantees supporting the payment of obligations of certain subsidiaries in Europe and Asia Pacific for office leases. The guarantees were made to secure the respective lease agreements and are for the terms of the lease agreements, which extend through 2013. For each guarantee issued, should the subsidiary default on a lease payment, the Company would have to perform under the guarantee. The maximum amount of undiscounted payments the Company would be required to make in the event of default on all outstanding guarantees is approximately $1.8 million as of June 30, 2008. No amount has been accrued for the Company’s obligation under these guarantee arrangements as no event of default exists or is expected.

14. Commitments and Contingencies

Litigation

The Company has contingent liabilities from various pending claims and litigation matters arising in the ordinary course of the Company's business, some of which involve claims for damages that are substantial in amount. Some of these matters are covered by insurance. Although the Company's ultimate liability in these matters cannot be determined, based upon information currently available, the Company believes the ultimate resolution of such claims and litigation will not have a material adverse effect on its financial condition, results of operations or liquidity.

In September 2007, Whitney Group and Whitney Group Asia (collectively "Whitney Group") filed suit against the Company in the New York Supreme Court, New York County, seeking injunctive relief and damages relating to the resignation, and subsequent hiring by the Company, of certain Whitney Group employees based in Hong Kong. On December 19, 2007, the parties to the suit agreed to a settlement in principle and release of all claims, both asserted and unasserted. The parties are awaiting receipt of fully executed release documents.

Contingencies

During the fourth quarter of 2005, a European country commenced a tax audit for the years 2001 through 2004, including an examination of the Company's arrangement with professional service companies that provide consulting services to the Company. On November 24, 2006, the examining tax authority issued a final assessment in the amount of €4.3 million (equivalent to $6.7 million at June 30, 2008). No penalty has been included in this assessment. This final assessment has been appealed by the Company, and the enforcement of the assessment has been suspended until a final determination of the appeal. The Company has provided a bank guarantee to the tax authority in the amount of the final assessment plus post-assessment interest as required by local law. See Note 4, *Restricted Cash* and Note 13, *Guarantees*. At this time, the Company believes that the likelihood of an unfavorable outcome is not probable and that the potential amount of any loss cannot be reasonably estimated. The Company also believes that the amount of a final assessment, if any, would not be material to the Company's financial condition.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations as well as other sections of this quarterly report on Form 10-Q contain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. The forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry in which we operate, and management's beliefs and assumptions. Forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "projects," "forecasts," and similar expressions. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, forecasted or implied in the forward-looking statements. Factors that may affect the outcome of the forward-looking statements include, among other things: our ability to attract and retain qualified executive search consultants; the condition of the economies in the United States, Europe, or elsewhere; social or political instability in markets where we operate; the impact of foreign currency exchange rate fluctuations; price competition; the ability to forecast, on a quarterly basis, variable compensation accruals that ultimately are determined based on the achievement of annual results; our ability to realize our tax loss carryforwards; the timing of a partial release or full reversal of deferred tax asset valuation allowance; the mix of profit or loss by country; an impairment of our goodwill and other intangible assets; and delays in the development and/or implementation of new technology and systems. For more information on the factors that could affect the outcome of forward-looking statements, refer to our Annual Report on Form 10-K for the year ended December 31, 2007 under Risk Factors in Item 1. We caution the reader that the list of factors may not be exhaustive. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

Our Business

We are a leading provider of executive search and leadership consulting services. We help our clients build leadership teams by facilitating the recruitment, management and deployment of senior executives for their executive management and board positions. Focusing on top-level services offers us several advantages that include access to, and influence with, key decision makers, increased potential for recurring search consulting engagements, higher fees per search, enhanced brand visibility, and global footprint, which create added barriers to entry for potential competitors. Working at the top of client organizations also allows us to attract and retain high-caliber consultants.

In addition to executive search, we provide a range of leadership consulting services to clients. These services include succession planning, top team effectiveness, executive assessment, talent management, executive development, and M&A human capital effectiveness.

We provide our services to a broad range of clients through the expertise of approximately 408 consultants located in major cities around the world. Our executive search services are provided on a retained basis. Revenue before reimbursements of out-of-pocket expenses ("net revenue") consists of retainers and indirect expenses billed to clients. Typically, we are paid a retainer for our executive search services equal to approximately one-third of the estimated first year compensation for the position to be filled. In addition, if the actual compensation of a placed candidate exceeds the estimated compensation, we often are authorized to bill the client for one-third of the excess. Indirect expenses are calculated as a percentage of the retainer with certain dollar limits per search.

Key Performance Indicators

We manage and assess Heidrick & Struggles' performance through various means, with the primary financial and operational measures including net revenue growth, operating income, operating margin, consultant headcount, new search confirmation trends, consultant productivity measured as revenue per consultant, and average fee per executive search.

Revenue growth is driven by a combination of additional consultants, an increase in executive search wins, higher consultant productivity and higher average fees per search or service. With the exception of compensation expense, incremental increases in revenue do not necessarily result in proportionate increases in costs, particularly operating and administrative expenses, thus potentially improving operating margins.

The number of consultants, confirmation trends, number of searches completed, productivity levels and the average fee per search will vary from quarter to quarter, affecting revenue growth and operating margin.

Our Compensation Model

Our compensation model closely aligns the interests of our employees, our Company and our shareholders. At the consultant level, individuals are largely rewarded for their performance based on a system that directly ties their compensation to the amount of net revenue for which they are responsible. Credit towards the variable portion of a consultant's compensation is earned by generating net revenue for winning and for executing search work. Each quarter, we review and update the expected annual performance of all consultants and accrue variable compensation accordingly. The amount of variable compensation that is accrued for each consultant is based on a tiered payout model. The more net revenue that is generated by the consultant, the higher the percentage credited towards the consultant's variable compensation and thus accrued by the Company as expense. The mix of individual consultants who generate the revenue can significantly affect the total amount of compensation expense recorded and thus operating margins. This bonus is discretionary and is based on company-wide profitability targets approved by the Human Resources and Compensation Committee of the Board of Directors. As a result, the variable portion of compensation expense may fluctuate significantly from quarter to quarter.

In the first quarter of 2008, we changed the deferral arrangement of bonuses for all consultants and management globally. The portion of the bonus previously deferred into restricted stock units will now be deferred into cash payable ratably over a three-year period. A premium of 10% will continue to be applied to the bonus amount deferred. The portion of the bonus that will be deferred varies between 10% and 15% depending on the employee's level or position. The compensation expense related to the amounts being deferred is recognized on a graded vesting attribution method over the requisite service period, which for 2008, began on January 1, 2008 and continues through the final payment date, which is three years from the date of the original deferral. These amounts are recorded as a component of other non-current liabilities in the condensed consolidated balance sheet. For the time being, we will continue to grant restricted stock units under other existing programs.

Recent Developments

In May 2008, Richard J. Caldera was named Chief Human Resources Officer. Previously, Mr. Caldera was at Royal Philips Electronics N.V., since 2004, where he most recently served as Senior Vice President, Human Resources, Mergers & Acquisitions for the Healthcare Sector. From 2002 to 2004 he was Senior Vice President, Human Resources at Skanska AB, based in New York and Stockholm, and Vice President and Senior Human Resources Officer, Global Operations at CNA Financial Corporation from 1998 to 2002.

In June 2008, Scott Krenz was named Chief Financial Officer. Prior to joining the Company on August 4, 2008, Mr. Krenz was Executive Vice President and Chief Financial Officer of Navigant Consulting, Inc. since 2007. Prior to that, he was Chief Financial Officer at Sapient Corporation since 2004. Prior to Sapient, Mr. Krenz held senior finance positions of increasing responsibility during a 19-year tenure at Electronic Data Systems Corporation (EDS). Mr. Krenz started his career in public accounting with Ernst & Whinney.

2008 Outlook

Based on the current economic conditions in each of our regions and after considering other operating metrics, our 2008 expectations for net revenue are between $650 and $660 million, representing growth of between 5% and 7% over 2007 net revenue. We are targeting a 2008 full-year operating margin of approximately 13%. Our ability to achieve our annual operating margin target is based on our performance to date, but is also dependent on achieving anticipated cost savings from certain initiatives we have implemented, effectively deploying our resources, and reacting quickly to any unexpected deterioration in market conditions. Net income and earnings per share in 2008 are expected to reflect a full-year effective tax rate of between 38% and 40%. Quarterly and full-year tax rate estimates can be impacted by country-level results and can also vary significantly by reporting period as a result of discrete items that require immediate recognition in a particular quarter.

Results of Operations

We operate our executive search and leadership consulting services in three geographic regions: the Americas, Europe, and Asia Pacific.

For segment purposes, reimbursements of out-of-pocket expenses classified as revenue are reported separately and therefore are not included in the net revenue by geographic region. We believe that analyzing trends in revenue before reimbursements (net revenue) and analyzing operating expenses as a percentage of net revenue more appropriately reflect our core operations.

The following table summarizes, for the periods indicated, the results of our operations as a percentage of revenue before reimbursements (net revenue):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
Revenue before reimbursements (net revenue)	100.0%	100.0%	100.0%	100.0%
Reimbursements	4.9	4.6	4.7	4.5
Total revenue	104.9	104.6	104.7	104.5
Operating expenses:				
Salaries and employee benefits	69.2	69.2	70.6	69.0
General and administrative expenses	19.8	18.7	20.2	19.2
Reimbursed expenses	4.9	4.6	4.7	4.5
Total operating expenses	93.9	92.4	95.5	92.7
Operating income	11.0	12.2	9.2	11.8
Non-operating income:				
Interest income	0.6	1.0	0.9	1.1
Other, net	0.6	0.2	—	0.2
Net non-operating income	1.1	1.3	0.9	1.3
Income before income taxes	12.1	13.4	10.0	13.1
Provision for income taxes	4.6	0.3	3.9	2.9
Net income	7.5%	13.1%	6.1%	10.3%

Note: Totals and sub-totals may not equal the sum of individual line items due to rounding.

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The following table sets forth, for the periods indicated, our revenue and operating income by segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
Americas	$ 87,002	$ 88,204	$164,339	$171,603
Europe	53,344	52,475	106,210	95,030
Asia Pacific	29,172	19,374	52,108	36,546
Revenue before reimbursements (net revenue)	169,518	160,053	322,657	303,179
Reimbursements	8,297	7,308	15,099	13,758
Total	$177,815	$167,361	$337,756	$316,937
Operating income:				
Americas	$ 12,558	$ 19,421	$ 24,282	$ 36,089
Europe	7,680	7,385	12,941	11,184
Asia Pacific	6,619	5,199	9,341	9,578
Total regions	26,857	32,005	46,564	56,851
Corporate	(8,190)	(12,493)	(17,021)	(21,012)
Total	$ 18,667	$ 19,512	$ 29,543	$ 35,839

Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007

Total revenue. Consolidated total revenue increased $10.5 million, or 6.2%, to $177.8 million in 2008 from $167.4 million in 2007. The increase in total revenue was due primarily to the increase in revenue before reimbursements (net revenue).

Revenue before reimbursements (net revenue). Consolidated net revenue increased $9.5 million, or 5.9%, to $169.5 million for the three months ended June 30, 2008 from $160.1 million for the three months ended June 30, 2007. The Life Sciences, Business and Professional Services, and Education/Nonprofit industry groups each achieved record revenue quarters, which along with growth in the Technology and Industrial industry groups, offset weakness in the Financial Services and Consumer industry groups. The number of confirmed executive searches decreased 2.1% compared to the second quarter of 2007. The number of executive search consultants increased to 408 as of June 30, 2008, compared to 386 as of December 31, 2007 and 398 as of June 30, 2007. Productivity, as measured by annualized revenue per executive search consultant, increased to $1.6 million in the second quarter of 2008 from $1.5 million in the 2007 second quarter, and the average fee per executive search was $122,200 in the 2008 second quarter compared to $111,000 in the 2007 second quarter. The positive impact of exchange rate fluctuations, primarily in Europe, resulted in an increase in net revenue of approximately 4 percentage points in the second quarter of 2008 compared to the second quarter of 2007.

Net revenue in the Americas was $87.0 million for the three months ended June 30, 2008, a decrease of $1.2 million, or 1.4%, from $88.2 million in the second quarter of 2007. The Technology, Industrial, and Education/Nonprofit industry groups delivered strong year-over-year net revenue growth, but this growth was offset by weakness in the Consumer and Financial Services industry groups. The positive impact of exchange rate fluctuations contributed approximately one percentage point of revenue growth in the 2008 second quarter. Net revenue in Europe was $53.3 million for the three months ended June 30, 2008, an increase of $0.9 million, or 1.7%, from $52.5 million in the second quarter of 2007. All of the industry practice groups achieved double-digit net revenue growth compared to the second quarter 2007, except Financial Services, which declined. The positive impact of exchange rate fluctuations resulted in an increase in net revenue of approximately 9 percentage points in the second quarter of 2008. In Asia Pacific, net revenue was $29.2 million for the three months ended June 30, 2008, an increase of $9.8 million, or 50.6 %, from $19.4 million in the second quarter of 2007. The positive impact of exchange rate fluctuations resulted in an increase in net revenue of approximately 10 percentage points in the 2008 second quarter. The Financial Services, Industrial, Technology, and Business and Professional Services industry groups were the primary drivers of growth in the second quarter 2008.

Salaries and employee benefits. Consolidated salaries and employee benefits expense increased $6.6 million, or 6.0%, to $117.3 million for the three months ended June 30, 2008 from $110.7 million for the three months ended June 30, 2007. This increase primarily reflects higher fixed salary expense and higher bonus expense associated with higher expected net revenue levels. Fixed salaries and employee benefits expense increased $4.7 million due to a 9.4% increase in employee headcount since the 2007 second quarter. Performance-related compensation expense increased $1.9 million in the second quarter of 2008 compared to the second quarter of 2007 related to higher bonus expense due to higher revenue levels throughout the last six months. Excluding the negative impact of $3.7 million due to exchange rate fluctuations, which management believes provides a better comparison of operational performance, consolidated salaries and employee benefits increased approximately 3% compared to the same quarter in 2007.

As a percentage of net revenue, salaries and employee benefits expense remained consistent at 69.2% in the second quarter of 2008, compared to the second quarter of 2007.

General and administrative expenses. Consolidated general and administrative expenses increased $3.7 million, or 12.3%, to $33.5 million for the three months ended June 30, 2008 from $29.9 million for the three months ended June 30, 2007. The year-over-year increase is primarily related to a $2.9 million increase in premise-related costs for new offices and lease renewals for existing offices. The remaining increase includes $1.0 million related to the European regional meeting held in the second quarter of 2008, higher operating expenses of $1.4 million associated with higher net revenue levels and $0.9 million of higher infrastructure and bad debt expense offset by $2.5 million related to our worldwide consultants' meeting held in the second quarter of 2007. Excluding a negative impact of $1.2 million due to exchange rate fluctuations, which management believes provides a better comparison of operational performance, consolidated general and administrative expenses increased approximately 8% compared to the same quarter in 2007.

As a percentage of net revenue, general and administrative expenses were 19.8% in the second quarter of 2008, compared to 18.7% in the second quarter of 2007.

Operating income. Our consolidated operating income was $18.7 million for the three months ended June 30, 2008 compared to operating income of $19.5 million for the three months ended June 30, 2007.

The decrease in operating income of $0.8 million was primarily due to an increase in salaries and employee benefits expense of $6.6 million and an increase in general and administrative expenses of $3.7 million, offset by an increase in revenue of $9.5 million.

In the Americas, operating income for the three months ended June 30, 2008 decreased $6.8 million to $12.6 million from $19.4 million for the three months ended June 30, 2007. The decrease is due to lower net revenue of $1.2 million and an increase in salaries and employee benefits expense of $4.0 million and general and administrative expenses of $1.6 million. The increase in salaries and employee benefits expense is primarily related to approximately $1.8 million of discretionary compensation associated with the mix of revenue generated by individual consultants, $1.5 million related to increased associate leverage and support staff headcount, approximately $0.9 million of expense associated with the amortization of new long-term incentive awards that did not exist in 2007, and $0.4 million of severance. The increase in general and administrative expenses is primarily related to a $1.4 million increase in premise-related costs and lease renewals for existing offices primarily in New York.

In Europe, operating income for the three months ended June 30, 2008 increased $0.3 million to $7.7 million from $7.4 million for the three months ended June 30, 2007. The increase in net revenue of $0.9 million and a decrease in salaries and employee benefits expense of $1.6 million were offset by an increase in general and administrative expenses of $2.2 million. The decrease in salaries and employee benefits expense is primarily due to a decrease in consultant headcount of 8.4% since the second quarter of 2007. The increase in general and administrative expenses primarily reflects $0.8 million related to the European regional meeting held in the second quarter of 2008, $0.4 million increase in premise-related costs and $1.0 million related to other operating and infrastructure expenses.

In Asia Pacific, operating income for the three months ended June 30, 2008 increased $1.4 million to $6.6 million from $5.2 million for the three months ended June 30, 2007. The increase in net revenue of $9.8 million was partially offset by increases in salaries and employee benefits expense of $6.4 million and general and administrative expenses of $2.0 million. The increase in salaries and employee benefits expense represents planned investments to grow the region and reflects a 36% increase in consultant headcount. The increase in general and administrative expenses is due to increased infrastructure costs related to new and existing offices.

Unallocated corporate expenses for the three months ended June 30, 2008 were $8.2 million compared to $12.5 million for the three months ended June 30, 2007. The decrease of $4.3 million was the result of a $2.2 million decrease in general and administrative expenses and a $2.1 decrease in salaries and employee benefits expense. The decrease in salaries and employee benefits expense primarily reflects a $1.2 million charge in the second quarter of 2007 associated with the continued vesting of all outstanding unvested equity awards for Thomas J. Friel, who retired as chairman in May 2007. The decrease in general and administrative expenses is a result of $2.5 million related to the worldwide consultants' meeting that was held in the second quarter of 2007 offset by an increase in other operating and infrastructure expenses of $0.3 million in the second quarter of 2008.

Net non-operating income. Net non-operating income was $1.9 million for the three months ended June 30, 2008, compared to $2.0 million for the three months ended June 30, 2007.

Net interest income in the second quarter of 2008 was $0.9 million compared to $1.6 million for the three months ended June 30, 2007. Net interest income is lower than the prior year quarter due to lower short-term investment balances and lower interest rates.

Net other non-operating income was $1.0 million for the three months ended June 30, 2008, compared to net other non-operating income of $0.4 million for the three months ended June 30, 2007. As a result of the sale of our Portugal business during the second quarter, we recognized previously capitalized exchange gains, which resulted in other non-operating income of $1.0 million. Other non-operating income consists primarily of exchange gains and losses on cash and intercompany balances, which are denominated in currencies other than the functional currency and are not considered permanent in nature.

Income taxes. In determining the quarterly provision for income taxes, we use an estimated annual effective tax rate based on expected annual income by jurisdiction, statutory tax rates, and tax planning opportunities available in the various jurisdictions in which we operate. The impact of discrete items is separately recognized in the quarter in which they occur.

In the second quarter of 2008, we reported income before taxes of $20.6 million and recorded an income tax provision of $7.8 million, which resulted in an effective tax rate of 38.0% for the second quarter of 2008.

In the second quarter of 2007, we reported income before taxes of $21.5 million and recorded an income tax provision of $0.5 million. Our effective tax rate for the second quarter of 2007 was 2.3%, which was significantly lower than the annual effective tax rate before discrete items of 41.7% as a result of releasing the valuation allowance associated with certain foreign tax credits, and our ability to benefit from these credits in the future.

Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007

Total revenue. Consolidated total revenue increased $20.8 million, or 6.6%, to $337.8 million in 2008 from $316.9 million in 2007. The increase in total revenue was due primarily to the increase in revenue before reimbursements (net revenue).

Revenue before reimbursements (net revenue). Consolidated net revenue increased $19.5 million, or 6.4%, to $322.7 million for the six months ended June 30, 2008 from $303.2 million for the six months ended June 30, 2007. The Industrial, Technology, Life Sciences and Business and Professional Services industry groups delivered strong year-over-year revenue growth offset by softness in the Financial Services industry group during the six months ended June 30, 2008. The number of confirmed executive searches decreased 2.4% compared to the six months ended June 30, 2007. The number of executive search consultants increased to 408 as of June 30, 2008, compared to 386 as of December 31, 2007 and 398 as of June 30, 2007. Productivity, as measured by annualized revenue per executive search consultant, increased to $1.5 million for the six months ended June 30, 2008 from $1.4 million for the six months ended June 30, 2007, and the average fee per executive search increased to $114,400 compared to $103,500 for the six months ended June 30, 2007. The positive impact of exchange rate fluctuations, primarily in Europe, resulted in an increase in net revenue of approximately 5 percentage points in the first six months of 2008 compared to the first six months of 2007.

Net revenue in the Americas was $164.3 million for the six months ended June 30, 2008, a decrease of $7.3 million, or 4.2%, from $171.6 million for the six months ended June 30, 2007. The Technology, Industrial, and Life Sciences industry groups delivered strong year-over-year net revenue growth, but this growth was offset by weakness in the Consumer and Financial Services industry groups during the six months ended June 30, 2008. The positive impact of exchange rate fluctuations contributed to approximately one percentage point of revenue growth in the first six months of 2008. Net revenue in Europe was $106.2 million for the six months ended June 30, 2008, an increase of $11.2 million, or 11.8%, from $95.0 million for the six months ended June 30, 2007. All of the industry practice groups achieved double-digit net revenue growth compared to the first six months of 2007, except Financial Services, which declined. The positive impact of exchange rate fluctuations resulted in an increase in net revenue of approximately 9 percentage points in the first six months of 2008. In Asia Pacific, net revenue was $52.1 million for the six months ended June 30, 2008, an increase of $15.6 million, or 42.6%, from $36.5 million for the six months ended June 30, 2007. The positive impact of exchange rate fluctuations resulted in an increase in net revenue of approximately 11 percentage points in the first six months of 2008. The Financial Services, Industrial, Business and Professional Services, and Technology industry groups were the primary drivers of growth for the six months ended June 30, 2008.

Salaries and employee benefits. Consolidated salaries and employee benefits expense increased $18.9 million, or 9.0%, to $227.9 million for the six months ended June 30, 2008 from $209.0 million for the six months ended June 30, 2007. This increase primarily reflects higher fixed salary expense and higher bonus expense associated with higher expected revenue levels. Fixed salaries and employee benefits expense increased $12.5 million due to a 9.4% year-over-year increase in employee headcount. Performance-related compensation expense increased $6.4 million in the first six months of 2008 compared to the first six months of 2007 as a result of higher net revenue levels throughout the last six months. Excluding a negative impact of $9.2 million due to exchange rate fluctuations, which management believes provides a better comparison of operational performance, consolidated salaries and employee benefits increased approximately 5% compared to the same period in 2007.

As a percentage of net revenue, salaries and employee benefits expense was 70.6% in the first six months of 2008, compared to 69.0% in the first six months of 2007.

General and administrative expenses. Consolidated general and administrative expenses increased $6.9 million, or 11.8%, to $65.2 million for the six months ended June 30, 2008 from $58.3 million for the six months ended June 30, 2007. The increase is primarily related to a $5.4 million increase in premise-related costs for new offices and lease renewals for existing offices. The remaining increase of $1.5 million primarily consists of $1.0 million related to the European regional meeting held in the second quarter of 2008, higher operating expenses of $1.6 million associated with higher net revenue levels and $1.4 million of higher infrastructure and bad debt expense offset by $2.5 million related to our worldwide consultants' meeting held in the second quarter of 2007. Excluding a negative impact of $2.4 million due to exchange rate fluctuations, which management believes provides a better comparison of operational performance, consolidated general and administrative expenses increased approximately 8% compared to the same period in 2007.

As a percentage of net revenue, general and administrative expenses were 20.2% in the first six months of 2008, compared to 19.2% in the first six months of 2007.

Operating income. Our consolidated operating income was $29.5 million for the six months ended June 30, 2008 compared to operating income of $35.8 million for the six months ended June 30, 2007.

The decrease in operating income of $6.3 million was primarily due to an increase in salaries and employee benefits expense of $18.9 million and an increase in general and administrative expenses of $6.9 million, offset by an increase in net revenue of $19.5 million.

In the Americas, operating income for the six months ended June 30, 2008 decreased $11.8 million to $24.3 million from $36.1 million for the six months ended June 30, 2007. The decrease is due to lower net revenue of $7.3 million, and an increase in salaries and employee benefits expense of $1.9 million and general and administrative expenses of $2.6 million. The increase in salaries and employee benefits expense is primarily related to increased discretionary compensation associated with the mix of revenue generated by individual consultants, approximately $1.1 million of expense associated with the amortization of new long-term incentive awards that did not exist in 2007, $0.4 million of severance, and increased associate leverage and support staff headcount. The increase in general and administrative expenses primarily related to a $2.8 million increase in premise-related expenses and lease renewals for existing offices primarily in New York.

In Europe, operating income for the six months ended June 30, 2008 increased $1.7 million to $12.9 million from $11.2 million for the six months ended June 30, 2007. The increase in net revenue of $11.2 million was offset by an increase in salaries and employee benefits expense of $5.9 million and general and administrative expenses of $3.6 million. The increase in salaries and employee benefits expense is due to higher fixed salary expense associated with higher net revenue levels and headcount in the first six months of 2008. The increase in general and administrative expenses primarily reflects $0.8 million related to the European regional meeting held in the second quarter of 2008 and a $0.8 million increase in premise-related costs. The remaining increase is due to increased operating and infrastructure expenses.

In Asia Pacific, operating income for the six months ended June 30, 2008 decreased $0.2 million to $9.4 million from $9.6 million for the six months ended June 30, 2007. The decrease is due to increases in salaries and employee benefits expense of $12.2 million and general and administrative expenses of $3.6 million offset by increases in net revenue of $15.6 million. The increase in salaries and employee benefits expense represents planned investments to grow the region and reflects a 36% increase in consultant headcount. The increase in general and administrative expenses is primarily due to increased infrastructure costs related to new and existing offices of $2.0 million and increased fees for professional services of $0.4 million. The remaining increase is due to other increased operating and infrastructure expenses.

Unallocated corporate expenses for the six months ended June 30, 2008 were $17.0 million compared to $21.0 million for the six months ended June 30, 2007. The decrease of $4.0 million was primarily the result of a $3.0 million decrease in general and administrative expenses and a $1.0 million decrease in salaries and employee benefits expense. The decrease in general and administrative expenses is due to $2.5 million related to the worldwide consultants' meeting that was held in the second quarter of 2007 and lower fees for professional services.

Net non-operating income. Net non-operating income was $2.8 million for the six months ended June 30, 2008, compared to $4.0 million for the six months ended June 30, 2007.

Net interest income in the first six months of 2008 was $2.9 million, compared to $3.5 million for the six months ended June 30, 2007. Net interest income is lower than the first six months of 2007 due to lower short-term investment balances and lower interest rates.

Net other non-operating expense was $0.1 million for the six months ended June 30, 2008, compared to net non-operating income of $0.6 million for the six months ended June 30, 2007. As a result of the sale of our Portugal business during the second quarter, we recognized previously capitalized exchange gains, which resulted in other non-operating income of $1.0 million. The remaining non-operating expense of $1.1 million primarily consists of exchange gains and losses on cash and intercompany balances, which are denominated in currencies other than the functional currency and are not considered permanent in nature.

Income taxes. In determining the quarterly provision for income taxes, we use an estimated annual effective tax rate based on expected annual income by jurisdiction, statutory tax rates, and tax planning opportunities available in the various jurisdictions in which we operate. The impact of discrete items is separately recognized in the quarter in which they occur.

For the first six months of 2008, we reported income before taxes of $32.4 million and recorded an income tax provision of $12.6 million. Our effective tax rate for the six months ended June 30, 2008 was 38.8%.

For the first six months of 2007, we reported income before taxes of $39.9 million and recorded an income tax provision of $8.8 million. Our effective tax rate for the six months ended June 30, 2007 was 22.0%. This rate was lower than the annual effective tax rate before discrete items of 41.7% as a result of releasing certain amounts of the valuation allowance associated with foreign tax credits, and our ability to benefit from these credits in the future. The significant improvement in the financial performance of our foreign branches allowed us to benefit from these foreign tax credits.

Liquidity and Capital Resources

General. We continually evaluate our liquidity requirements, capital needs and availability of capital resources based on our operating needs. We believe that our existing cash balances together with the funds expected to be generated from operations and funds available under our committed revolving credit facility will be sufficient to finance our operations for the foreseeable future, as well as to finance the cash payments associated with our restructuring charges, stock repurchase program, cash dividends and acquisitions.

We pay the majority of bonuses in the first quarter following the year in which they were earned. Employee bonuses are accrued throughout the year and are based on our performance and the performance of the individual employee.

We do not have material off-balance sheet arrangements, special purpose entities, trading activities of non-exchange traded contracts or transactions with related parties.

Lines of credit. Since October 2006, we have had a $100 million committed unsecured revolving facility (the "Facility"). Under the Facility, we may borrow U.S. dollars, euros, or other major traded currencies as agreed by the banks. Borrowings under the Facility bear interest at the existing Alternate Base Rate or LIBOR plus a spread as determined by our leverage ratio. A facility fee is charged even if no portion of the Facility is used. The Facility expires in October 2011.

There were no borrowings during the quarters ended June 30, 2008 or 2007, or outstanding under the Facility at either June 30, 2008 or December 31, 2007. During the quarters ended June 30, 2008 and 2007, we were in compliance with the financial covenants of the Facility and no event of default existed.

Cash, cash equivalents and short-term investments. Cash and cash equivalents were $146.1 million at June 30, 2008. The amount of cash, cash equivalents and short-term investments at December 31, 2007 and June 30, 2007 was $282.9 million and $180.0 million, respectively.

Cash flows from operating activities. For the six months ended June 30, 2008, cash used in operating activities was $83.7 million, principally reflecting our net income less the payment of cash bonuses of approximately $135 million in March 2008 and an increase in trade receivables related to higher year-to-date revenues.

For the six months ended June 30, 2007, cash used in operating activities was $38.4 million, principally reflecting our net income less the payment of cash bonuses of approximately $98 million in March 2007, and an increase in trade receivables related to higher year-to-date revenues.

Cash flows from investing activities. Cash provided by investing activities was $8.0 million for the six months ended June 30, 2008 primarily as a result of the net proceeds from sales of short-term investments of $22.3 million offset by cash paid for acquisitions of $11.0 million, capital expenditures of $5.2 million and proceeds from the sale of a business of $1.6 million.

Cash used in investing activities was $2.7 million for the six months ended June 30, 2007 primarily as a result of capital expenditures of $3.0 million, $1.3 million paid in connection with the acquisition of RentonJames and a decrease in restricted cash of $1.2 million offset by the net proceeds from sales and purchases of short-term investments of $2.6 million.

Cash flows from financing activities. Cash used in financing activities for the six months ended June 30, 2008 was $45.8 million primarily as a result of repurchasing $42.0 million of our common stock and quarterly cash dividend payments of $4.5 million, offset by $0.6 million of proceeds from stock options exercised during the period.

Cash used in financing activities for the six months ended June 30, 2007 was less than $0.1 million primarily as a result of the repurchase of $24.9 million of our common stock offset by $17.0 million of proceeds from stock options exercised during the period and $7.6 million of tax benefits associated with the exercise or vesting of equity awards.

In September 2007, our Board of Directors approved the initiation of a quarterly cash dividend payment in the amount of $0.13 per share. On an annual basis, the cash dividend is expected to be $0.52 per share. On February 15, 2008, we paid $2.2 million to shareholders of record as of February 1, 2008. On May 16, 2008, we paid $2.2 million to shareholders of record as of May 2, 2008. A cash dividend payable of $2.1 million has been reported as an other current liability on the Condensed Consolidated Balance Sheet as of June 30, 2008 related to the third quarter 2008 quarterly cash dividend payment.

On May 24, 2006, our Board of Directors authorized management to repurchase shares of our common stock with an aggregate total amount up to $50 million. We purchased 1,132,073 shares of our common stock for $50 million under the May 2006 authorization, which was completed during the third quarter of 2007.

On May 24, 2007, our Board of Directors authorized management to repurchase shares of our common stock with an aggregate total amount up to $50 million. We purchased 1,403,738 shares of our common stock for $50 million under the May 2007 authorization, which was completed on March 31, 2008.

On February 8, 2008, our Board of Directors authorized management to repurchase shares of our common stock with an aggregate total amount up to $50 million. We intend from time to time and as business conditions warrant, to purchase shares of our common stock on the open market or in negotiated or block trades. No time limit has been set for completion of this program. As of June 30, 2008, we have purchased 773,414 shares of our common stock for a total of $21.8 million, and $28.2 million remains available under the February 2008 authorization.

Application of Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements, which have been prepared using accounting principles generally accepted in the United States (GAAP). Our significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the U.S. Securities and Exchange Commission on February 28, 2008 and in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Condensed Consolidated Financial Statements included in Item 1. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. If actual amounts are ultimately different from previous estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes its critical accounting policies that reflect its more significant estimates and assumptions relate to revenue recognition, stock-based compensation, accruals related to the consolidation and closing of offices recorded as part of our restructuring charges, income taxes, goodwill and other intangible assets and the allowance for doubtful accounts. See *Application of Critical Accounting Policies and Estimates* in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the U.S. Securities and Exchange Commission on February 28, 2008.

Recently Adopted Financial Accounting Standards

On January 1, 2008, we adopted SFAS No. 157 "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. See Note 5, *Fair Value Measurements*, for disclosures required by SFAS No. 157. In February 2008, the FASB released FASB Staff Position (FSP FAS 157-2 – Effective Date of FASB Statement No. 157), which delayed the effective date of SFAS No. 157 for nonfinancial assets, such as goodwill and long-lived assets, and nonfinancial liabilities, subject to certain exceptions until January 1, 2009. The adoption of SFAS No. 157 for financial assets and liabilities did not have a material impact on our financial condition or results of operations.

On January 1, 2008, we adopted SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of SFAS No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. The adoption of SFAS No. 159 did not have a material impact on our financial condition or results of operations.

Recently Issued Financial Accounting Standards

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) requires that all business combinations be accounted for by applying the acquisition method. Under the acquisition method, the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, and any contingent consideration and contractual contingencies, as a whole, at their fair values as of the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recorded against income tax expense. The adoption of SFAS No. 141(R) will change our accounting treatment for business combinations on a prospective basis beginning on January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 160 is effective for us on a prospective basis for business combinations with an acquisition date beginning as of January 1, 2009. Currently we do not have any minority interests.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency market risk. With our operations primarily in the Americas, Europe and Asia Pacific, we conduct business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings. However, because certain assets and liabilities are denominated in currencies other than the U.S. dollar, changes in currency rates may cause fluctuations in the valuation of such assets and liabilities. As the local currency of our subsidiaries has generally been designated as the functional currency, we are affected by the translation of foreign currency financial statements into U.S. dollars. For the six months ended June 30, 2008, a 1% change in the average exchange rate for currencies of all foreign countries in which we operate would have increased or decreased our net income by less than $0.2 million. For financial information by geographic segment, see Note 12, *Segment Information*, in the Notes to Condensed Consolidated Financial Statements.

Derivative instruments. We receive warrants for equity securities in our client companies, in addition to our cash fee, for services rendered on some searches. Some of the warrants meet the definition of a derivative instrument under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and its subsequent amendments. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. These derivative instruments are initially recorded at their fair value using a Black-Scholes model, in the Condensed Consolidated Balance Sheets, with a corresponding amount recorded as net revenue in the Condensed Consolidated Statements of Operations. Bonus expense related to this net revenue is also recorded. Subsequent changes in the fair value of these derivative instruments are recorded in the Condensed Consolidated Statements of Operations as unrealized gains (losses), net of the consultants’ share of the gains (losses). Upon a value event such as an initial public offering or an acquisition, the warrants are monetized, resulting in a realized gain (loss), net of the consultants’ share of the gain (loss) and other costs.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Principal Accounting Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Principal Accounting Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and (2) is accumulated and communicated to our management, including the Chief Executive Officer and Principal Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have contingent liabilities from various pending claims and litigation matters arising in the course of our business, some of which involve claims for damages that are substantial in amount. Some of these matters are covered by insurance. Although our ultimate liability in these matters cannot be determined, based upon information currently available, we believe the ultimate resolution of such claims and litigation will not have a material adverse effect on our financial condition, results of operations or liquidity.

In September 2007, Whitney Group and Whitney Group Asia (collectively "Whitney Group") filed suit against us in the New York Supreme Court, New York County, seeking injunctive relief and damages relating to the resignation, and subsequent hiring by us, of certain Whitney Group employees based in Hong Kong. On December 19, 2007, the parties to the suit agreed to a settlement in principle and release of all claims, both asserted and unasserted. The parties are awaiting receipt of fully executed release documents.

Contingencies

During the fourth quarter of 2005, a European country commenced a tax audit for the years 2001 through 2004, including an examination of our arrangement with professional service companies that provide consulting services to us. On November 24, 2006, the examining tax authority issued a final assessment in the amount of €4.3 million (equivalent to $6.7 million at June 30, 2008). No penalty has been included in this assessment. This final assessment has been appealed by us and the enforcement of the assessment has been suspended until a final determination of the appeal. We have provided a bank guarantee to the tax authority in the amount of the final assessment plus post-assessment interest as required by local law. See Note 4, *Restricted Cash*, and Note 13, *Guarantees*, in the Notes to Condensed Consolidated Financial Statements. At this time, we believe that the likelihood of an unfavorable outcome is not probable and that the potential amount of any loss cannot be reasonably estimated. We also believe that the amount of a final assessment, if any, would not be material to our financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides information related to the Company's purchase of common shares for the quarter ended June 30, 2008. For further information of the Company's share repurchase activity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
April 1, 2008 – April 30, 2008	—	$ —	—	$ —
May 1, 2008 – May 31, 2008	516,500	28.46	516,500	35,298,275
June 1, 2008 – June 30, 2008	256,914	27.76	256,914	28,167,179
Total	773,414		773,414	

On February 8, 2008, our Board of Directors authorized management to repurchase shares of our common stock with an aggregate total amount up to $50 million. As of June 30, 2008, $28.2 million remains authorized under this program.

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

At our Annual Meeting of Stockholders held on May 22, 2008 in New York, New York, our stockholders voted on the following matters:

I. The election of four directors, L. Kevin Kelly, Robert E. Knowling, Jr., Gerard R. Roche, and V. Paul Unruh, to serve for a term of three years or until their successors have been elected and qualified.

The nominees to the Board of Directors were elected.

Name of Nominee	Number of Votes For	Number of Votes Withheld	Number of Broker Non-Votes
L. Kevin Kelly	15,271,425	689,532	—
Robert E. Knowling, Jr.	15,241,479	719,478	—
Gerard R. Roche	15,237,889	723,068	—
V. Paul Unruh	15,240,404	720,553	

In addition, the terms of office of the following directors continued after the meeting: Richard I. Beattie, Antonio Borges, John A. Fazio, Jill Kanin-Lovers, and Gary E. Knell.

II. The ratification of the Company's selection of KPMG LLP as the Company's independent registered public accounting firm.

The Company's selection of KPMG LLP as the Company's independent registered public accounting firm was ratified.

Number of Votes For	Number of Votes Against	Number of Votes Abstained	Number of Broker Non-Votes
15,938,477	18,345	4,135	—

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Item 6. Exhibits

Exhibit No.	Description
*10.01	Amended and Restated Heidrick & Struggles International, Inc., Change in Control and Severance Plan
*10.02	Relocation Agreement between Gerry Davis and Heidrick & Struggles International, Inc., dated December 6, 2007
*31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of the Company's Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of the Company's Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

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SIGNATURE

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

Date: August 6, 2008

Heidrick & Struggles International, Inc.
(Registrant)

By: /s/ James Andrejko
James Andrejko
Vice President, Corporate Controller &
Principal Accounting Officer

Heidrick & Struggles International, Inc.
Change in Control Severance Plan
(As Amended and Restated Effective May 24, 2007)

Article 1. Establishment and Purpose

1.1 Establishment of the Plan. Heidrick & Struggles International, Inc. (“the Company”) initially established the “Heidrick & Struggles International, Inc. Change in Control Severance Plan (the “Plan”) effective as of December 12, 2001. The Company hereby amends and restates the Plan effective as of May 24, 2007.

1.2 Purpose of the Plan. The Board (as defined herein) has determined that it is in the best interests of the Company and its stockholders to continue to secure the services, dedication and objectivity of certain key employees of the Company in the event of any threat or occurrence of a Change in Control, without concern as to whether such employees might be hindered or distracted by personal uncertainties and risks created by any such actual or threatened Change in Control.

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the following meanings:

2.1 “Base Salary” means a Participant’s highest annual rate of salary, including any amounts deferred at the election of the Participant, in effect at any time during the 12 months immediately preceding such Participant’s Termination Date.

2.2 “Benefit Plans” means (a) any benefit plan or arrangement providing the benefits described in Section 3(1) of the Employee Retirement Income Security Act of 1974 and (b) any plan or arrangement providing for perquisites, such as car allowance, annual physical examination, club memberships and similar benefits, in each case in which the Participant was participating immediately prior to his or her Termination Date, or if more favorable to the Participant, immediately prior to the Change in Control.

2.3 “Board” means the Board of Directors of the Company or its successor.

2.4 “Bonus Amount” means the annual target bonus for the Participant under the Company’s Management Incentive Plan or any successor management plan for the Participant as of the date immediately prior to the Change in Control (but not the Fee/SOB bonus plan or any successor plan thereto).

2.5 “Cause” means (a) the willful and continued failure by the Participant to substantially to perform his or her duties and obligations to the Company (other than any such failure resulting from any physical or mental condition, whether or not such condition constitutes a Disability) or (b) the willful engaging by the Participant in misconduct that is materially injurious to the Company, monetarily or otherwise. For purposes of this definition, no act, or failure to act, on a Participant’s part shall be considered “willful” unless done, or omitted to be done, by the Participant in bad faith and without reasonable belief that his or her action or omission was in the best interests of the Company.

2.6 “Change in Control” means the occurrence of any one of the following events:

(a) any Person (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then-outstanding securities;

(b) during any period of 24 months, individuals who, at the beginning of such period, constitute the Board, and any new director (other than (i) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections 2.6(a), (c) or (d) hereof, (ii) a director nominated or proposed by any Person who has publicly announced or advised the Company of an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which, if consummated, would constitute a Change in Control, or (iii) a director nominated by any Person who is the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's securities) whose election by the Board or nomination for election by the Company's stockholders was approved in advance by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(c) the consummation of any transaction or series of transactions under which the Company is merged or consolidated with any other company (other than a merger or consolidation (i) which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent corporation) more than 66- $^{2}/_{3}$% of the combined voting power of the voting securities of the Company or such surviving entity or its parent corporation outstanding immediately after such merger or consolidation, and (ii) after which no Person holds 30% or more of the combined voting power of the then outstanding securities of the Company or such surviving entity or its parent corporation);

(d) the consummation of a plan of complete liquidation of the Company or a sale or disposition by the Company of all or substantially all of the Company's assets; or

(e) any other event occurs which the Board determines, in its discretion, to be a Change in Control.

For purposes of this Section 2.6, "Person" shall have the meaning ascribed to such term in Section 3 of the Exchange Act or as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act. Notwithstanding the foregoing, a Change in Control shall not occur with respect to the Participant by reason of any event which would otherwise constitute a Change in Control if, immediately after the occurrence of such event, (A) the Company ceases to be subject to the requirement to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act and no more than 50% of the then outstanding shares of common stock of the Company or any acquiror or successor to substantially all of the business of the Company is owned, directly or indirectly, by any entity subject to such requirements and (B) individuals (which may or may not include the Participant) who were executive officers of the Company immediately prior to the occurrence of such event, own, directly or indirectly, on a fully diluted basis, (I) 25% or more of the then outstanding shares of common stock of the Company or any acquiror or successor to substantially all of the business of the Company or (II) 25% or more of the combined voting power of the then outstanding voting securities of the Company or any acquiror or successor to substantially all of the business of the Company entitled to vote generally in the election of directors.

2.7 "Committee" means the Human Resources and Compensation Committee of the Board.

2.8 "Company" means Heidrick & Struggles International, Inc., organized under the laws of the state of Delaware, including any successor or successors thereto.

2.9 "Disability" means (a) a physical or mental condition entitling the Company to terminate the Participant's employment pursuant to an employment agreement between the Participant and the Company or (b) in the absence of such a provision, a physical or mental incapacity of a Participant which would entitle the Participant to benefits under the long term disability plan maintained by the Company for its U.S. employees as in effect immediately prior to a Change in Control (regardless of whether the Participant is actually covered by such plan).

2.10 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder.

2.11 “Good Reason,” means, without a Participant’s express written consent, the occurrence of any of the following events during the Protected Period:

(a) the assignment to the Participant of any duties materially inconsistent with, or the material reduction of powers, responsibilities or functions associated with, the Participant’s positions and status with the Company immediately prior to a Change in Control, or any removal of the Participant from, or any failure to reelect the Participant to, any positions or offices with the Company that the Participant held immediately prior to a Change in Control;

(b) a material reduction by the Company of the Participant’s base salary as in effect immediately prior to a Change in Control or of such higher base salary as may have been in effect during the Protected Period;

(c) the failure by the Company to pay the Participant his or her current compensation, or any compensation deferred under any plan, agreement or arrangement of or with the Company when such compensation is due;

(d) a change in the Participant’s principal work location more than 50 miles from the Participant’s principal work location immediately prior to a Change in Control;

(e) a change in the Participant’s required travel on the Company’s business to the extent such travel obligations are substantially inconsistent with the Participant’s business travel obligations immediately prior to a Change in Control;

(f) (i) the Company’s failure to continue in effect benefits provided under the Benefit Plans, (ii) any act or omission by the Company that adversely affects the Participant’s participation in, or materially reduces the Participant’s benefits under, such Benefit Plans or (iii) the material reduction by the Company of the number of paid vacation days to which the Participant is entitled immediately prior to a Change in Control;

(g) a material reduction in the Participant’s annual bonus and long-term incentive compensation opportunities from the level of annual bonus and long-term incentive compensation opportunities made available to the Participant immediately prior to the Change in Control;

(h) a material increase in the required working hours of the Participant from that required prior to the Change in Control; or

(i) the Company’s failure to obtain pursuant to Section 10.1 an assumption of the Company’s obligations under the Plan by any successor to the Company.

Notwithstanding the foregoing, an isolated and inadvertent action taken in good faith and remedied by the Company within 10 days after receipt of notice thereof from the Participant shall not constitute Good Reason.

2.12 “Health Benefits” means the health, dental and/or vision benefits provided under a Benefit Plan in which the Participant was participating immediately prior to his or her Termination Date, or if more favorable to the Participant, immediately prior to the Change in Control.

2.13 “Participant” means an employee of the Company who fulfills the eligibility requirements as provided in Article 4 of the Plan.

2.14 “Plan” means this Heidrick & Struggles International, Inc. Change in Control Severance Plan, as amended and restated effective as of May 24, 2007.

2.15 “Protected Period” means the period beginning on the date on which a Change in Control occurs and ending two years after that date. Anything in the Plan to the contrary notwithstanding, if a Participant’s employment with the Company is terminated or the terms and conditions of the Participant’s employment are adversely changed in a manner which would constitute grounds for a termination of employment by the Participant for Good Reason prior to the date on which a Change in Control occurs, and it is reasonably demonstrated that such termination of employment or adverse change (a) was at the request of a third party who has taken steps reasonably calculated to effect the Change in Control or (b) otherwise arose within six months prior to and in connection with or in anticipation of the Change in Control, then for all purposes of the Plan the “Protected Period” for such Participant shall begin on the date immediately prior to the date of such termination of employment or adverse change and end two years after the date of such Change in Control.

2.16 “Severance Factor” means a number equal to (a) two and one-half, for a Participant described in Section 4.1(a) with the title of Chief Executive Officer of the Company on his or her Termination Date; (b) two, for a Participant described in Section 4.1(a) in a Tier I position (as defined in the Company’s Management Incentive Plan) on his or her Termination Date; (c) one, for a Participant described in Section 4.1(a) in a Tier II position (as defined in the Company’s Management Incentive Plan) on his or her Termination Date; and (d) for a Participant described in Section 4.2, the number approved by the Committee at the time the Committee approved the Participant’s Plan participation.

2.17 “Severance Period” means the period of time beginning on the Participant’s Termination Date and continuing for a number of years equal to the Participant’s Severance Factor.

2.18 “Termination Date” means the effective date of a Participant’s termination of employment as provided in Article 5.

Article 3. Administration

3.1 Committee. The Plan shall be administered by the Committee. The Committee shall have full authority, consistent with the Plan, to administer the Plan, including the authority to make participation decisions as described in Article 4 and the authority to interpret and construe any provisions of the Plan. The Committee may, subject to the provisions of the Plan, establish such rules and regulations as it deems necessary or advisable for the proper administration of the Plan, and may make determinations and may take such other action in connection with or in relation to the Plan as it deems necessary or advisable. The decisions of the Committee shall be final and binding on all parties.

3.2 Indemnification. No member of the Board or the Committee shall be liable for any action taken or determination made hereunder in good faith. Service on the Committee shall constitute service as a member of the Board so that the members of the Committee shall be entitled to indemnification and reimbursement as directors of the Company pursuant to the Company’s Restated Certificate of Incorporation and By-Laws.

Article 4. Participation

4.1 Section 16 of the Exchange Act. (a) Each employee of the Company who the Committee determines is an officer subject to Section 16 of the Exchange Act shall become a Participant in the Plan as of the date of such Committee determination.

(b) An employee of the Company who the Committee determines is no longer subject to Section 16 of the Exchange Act shall cease to participate in the Plan as of the date of such Committee determination.

4.2 Other Participants. Each other employee of the Company who was a Participant in the Plan on May 24, 2007 but was not subject to Section 16 of the Exchange Act on such date shall continue to participate in the Plan through December 31, 2007 in accordance with the terms of the Plan in effect immediately prior to May 24, 2007. Such employee shall not be eligible to participate in the Plan after December 31, 2007, unless and until the Committee subsequently determines that he or she is subject to Section 16 of the Exchange Act.

Article 5. Termination of Employment During the Protected Period

5.1 Termination of Employment by the Company. During the Protected Period, the Company shall have the right to terminate a Participant's employment hereunder for Cause, without Cause or on account of the Participant's Disability or death, by following the procedures hereinafter specified.

(a) The Company may terminate a Participant's employment for Cause by vote of a majority of the Board, but not unless and until the Board gives the Participant written notice of intent to terminate the Participant's employment for Cause, specifying the particulars of the conduct of the Participant forming the basis for such termination and setting forth specific corrective action required of the Participant and, subsequently, a majority of the Board finds, after at least 15 days from the date of the notice, that termination of the Participant's employment for Cause is justified. Termination of the Participant's employment for Cause shall become effective after such finding has been made by the Board and five business days after the Board gives the Participant notice thereof, specifying in detail the particulars of the conduct of the Participant found by the Board to justify such termination for Cause.

(b) The Company may terminate a Participant's employment without Cause by vote of a majority of the Board. Termination of the Participant's employment without Cause shall be effective five business days after the Board gives the Participant notice thereof, specifying that such termination is without Cause.

(c) The Company may terminate a Participant's employment for Disability by vote of a majority of the Board. Such Termination shall become effective 30 days after a notice of intent to terminate the Participant's employment, specifying Disability as the basis for such termination, is given to the Participant by the Board. Termination of a Participant's employment on account of his or her death shall become effective as of the date of such death.

5.2 Termination of Employment by a Participant. During the Protected Period, a Participant shall be entitled to terminate his or her employment with the Company for any reason, or for Good Reason. The Participant shall give the Company written notice of such termination of employment, and if such termination is for Good Reason, set forth in reasonable detail the facts and circumstances claimed by the Participant to constitute Good Reason. Termination of Participant's employment by the Participant pursuant to this Section 5.2 shall be effective as of the date of such notice, or if such termination is for Good Reason, five business days after the Participant gives such notice.

Article 6. Payments Upon Termination of Employment

6.1 Termination of Employment Without Cause or For Good Reason. If during the Protected Period the Participant's employment is terminated by the Company without Cause, or by the Participant for Good Reason, then the Company shall provide to such Participant the following benefits:

(a) The Company shall pay to the Participant, within 45 days following the Termination Date, a lump sum cash amount equal to the Participant's Severance Factor multiplied by the sum of the Participant's Base Salary and Bonus Amount.

(b) The Company shall pay to the Participant, within 45 days following the Termination Date, a lump sum cash amount equal to the sum of (i) the full Base Salary earned by the Participant through the Termination Date and unpaid at the Termination Date (without any regard to any reduction constituting Good Reason), (ii) any bonus earned by the Participant but not yet paid or credited as a deferral at the Termination Date, (iii) the amount of any Base Salary attributable to vacation earned by the Participant but not taken before the Termination Date, and (iv) one-twelfth of the Participant's Bonus Amount multiplied by the number of months and parts thereof from the beginning of the calendar year including the Termination Date through the Termination Date.

(c) The Company shall maintain in full force and effect with respect to the Participant (and, to the extent applicable, his or her spouse or dependents) the Health Benefits, upon the same terms in effect immediately prior to the Termination Date (or, if more favorable to the Participant, immediately prior to the Change in Control), for one year following the Termination Date, provided that the Participant's continued participation is possible under the terms of the Benefit Plans providing such Health Benefits. The Company and the Participant shall share the costs of the continuation of such Health Benefits in the same proportion as such costs were shared immediately prior to the Termination Date (or, if more favorable to the Participant, immediately prior to the Change in Control). In the event that such continued participation in the Benefits Plans providing the Health Benefits is prohibited at any time during the one-year period, the Company shall arrange to provide the Participant (and to the extent applicable, his or her spouse or dependents) with benefits substantially similar to those which the Participant is entitled to receive under such Benefit Plans. Continued Health Benefits shall cease on the date the Participant becomes employed and covered under another employer's benefit plan providing the same type and level of benefits. In the event that the Participant becomes employed and covered under another employer's benefit plan that does not provide the same level of benefits, the Health Benefits received by the Participant (and his or her spouse or dependents) shall be offset by any benefits received from the new employer. The one year anniversary of the Participant's Termination Date shall be considered a "qualifying event" as defined in Section 601 et seq. of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"), and if on such date the Participant or his spouse or dependents are covered by the Benefit Plan providing Health Benefits, they shall be eligible for continued benefits pursuant to COBRA (to the extent such Benefit Plan is subject to COBRA), in which case the Participant shall be responsible for paying the full cost of such coverage during the applicable COBRA period. If on the one year anniversary of the Participant's Termination Date the Participant or his or her spouse or dependents are receiving substantially similar Health Benefits outside of the Benefit Plans due to the inability of the Benefit Plans to provide such Health Benefits, and such Benefit Plans are subject to COBRA, the Company shall continue to make such Health Benefits available, at the Participant's full cost, for a period of time equal to the COBRA period that would have applied had the Participant been eligible for COBRA as described in the preceding sentence.

6.2 Other Termination of Employment. If during the Protected Period the employment of a Participant is terminated by the Company for Cause, by the Participant for other than Good Reason or as a result of the Participant's death or Disability, the Company shall pay to the Participant, or to the Participant's beneficiary if a Participant dies while any amount would still be payable to the Participant hereunder had the Participant continued to live, within 45 days following the Termination Date, a lump sum cash amount equal to the sum of (a) the full Base Salary earned by the Participant through the Termination Date and unpaid at the Termination Date, (b) any bonus earned by the Participant but not yet paid or credited as a deferral at the Termination Date, and (c) the amount of any Base Salary attributable to vacation earned by the Participant but not taken before the Termination Date.

6.3 Other Agreements. The payments and the other benefits described in Section 6.1(a), (b)(iv) and (c) shall be in addition to, and not in lieu of, all other accrued, vested or deferred compensation, rights, options or other benefits which may be owed to a Participant following termination of employment or upon a Change in Control, including but not limited to amounts or benefits payable under any incentive plan, stock option plan, stock ownership plan, stock purchase plan, life insurance plan, health plan, disability plan or similar or successor plan; provided, however, that in the event the Participant is entitled to any benefits or payments upon his or her termination of employment under an employment agreement with, or other severance plan maintained by, the Company, the Participant shall not be entitled to the payments and benefits hereunder upon such termination unless the Participant then waives any rights that the Participant may then have under such employment agreement or severance plan in respect of such termination of employment. If the Participant does not waive his or her rights under such employment agreement or severance plan in accordance with this Section 6.3, the Participant shall not be entitled to any payments or benefits hereunder and shall not be bound by the restrictive covenants contained in Article 11 of the Plan. In the event that the Participant is entitled to receive from the Company benefits in the nature of severance under applicable law, then the amounts of benefits provided hereunder shall, to the extent lawful, be reduced by the amount of such legally mandated benefits.

Article 7. Additional Payments and Limitations on Payments

7.1 Gross-Up Payment. This Section 7.1 shall apply to a Participant described in Section 4.1(a) who as of his or her Termination Date is in a Tier I position (as defined in the Company's Management Incentive Plan) and whose termination of employment is by the Company without Cause or by the Participant for Good Reason.

(a) Anything in the Plan to the contrary notwithstanding, in the event it is determined that any payment or benefit by the Company to or for the benefit of the Participant, whether pursuant to the terms of the Plan or otherwise (a “Payment”), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), or any interest or penalties are incurred by the Participant with respect to such excise tax (such excise tax, together with any such interest and penalties, referred to as the “Excise Tax”), the Company shall pay the Participant an additional cash payment (a “Gross-Up Payment”) equal to the Excise Tax, plus all taxes, interest and penalties, including an additional Excise Tax, but excluding any taxes or interest that may arise as a result of Section 409A of the Code, which become payable by the Participant as a result of receipt of the Gross-Up Payment; provided, however, that in the event the Payment exceeds three times the “base amount” as defined in Section 280G(b)(3) of the Code (the “Parachute Threshold”) by less than 10% of the Parachute Threshold, then a portion of the Payment, as designated by the Participant, shall be reduced so that the Payment is $1.00 less than the Parachute Threshold.

(b) Subject to the provisions of Section 7.1(c), the Company shall cause all determinations required to be made under this Section 7.1, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions not specified herein to be used in arriving at such determinations, to be made by the Company’s independent auditors immediately prior to the Change in Control (the “Accounting Firm”). The Company shall cause the Accounting Firm to make such determination within 15 business days after request therefor by notice from the Participant or the Company to such Firm. For purposes of making the calculations required herein, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on interpretations of the Code for which there is a “substantial authority” tax reporting position. The Company shall cause the Accounting Firm to provide detailed supporting calculations with respect to its determination both to the Company and the Participant within such 15 business day period. The Company shall pay all fees and expenses of the Accounting Firm. The Gross-Up Payment, if any, as determined pursuant to this Section 7.1(b) shall be paid by the Company to the Participant within five days of the receipt by the Company of the Accounting Firm’s determination.

(c) In the event that the Participant is at any time required to pay any Excise Tax in addition to any amount determined pursuant to subsection (a), the Company shall pay the Participant a Gross-Up Payment determined with respect to such additional Excise Tax. In the event that the Participant receives any refund of any Excise Tax with respect to which the Participant has previously received a Gross-Up Payment hereunder, the Participant shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto).

(d) The Participant agrees to notify the Company in the event of any audit or other proceeding by the Internal Revenue Service or any taxing authority in which the Internal Revenue Service or other taxing authority asserts that any Excise Tax should be assessed against the Participant and to cooperate with the Company in contesting any such proposed assessment with respect to such Excise Tax (a “Proposed Assessment”). The Participant agrees not to settle any Proposed Assessment without the consent of the Company. If the Company does not settle the Proposed Assessment, or does not consent to allow the Participant to settle the Proposed Assessment, within 30 days following such demand therefor, the Company shall indemnify and hold harmless the Participant (i) with respect to any additional interest and/or penalties that the Participant is required to pay by reason of the delay in finally resolving the Participant’s tax liability and (ii) with respect to any taxes, interest and penalties that the Participant is required to pay by reason of any indemnification payment under this subsection (d). The Company shall pay all costs and expenses incurred in connection with such contest.

(e) In all cases, the Company shall pay the Participant all Gross Up Payments or required indemnification payments described in this Section 7.1 by the end of the calendar year following the calendar year in which the Participant remits the related Excise Tax or other amounts to the appropriate taxing authority.

7.2 Limits on Payments by the Company. This Section 7.2 shall apply to a Participant described in Section 4.1(a) who as of his or her Termination Date is in a Tier II position (as defined in the Company’s Management Incentive Plan) and who elects to have this Section 7.2 apply to him or her. Such election must be made no later than 10 business days after the Participant is informed of the Accounting Firm’s determination that any Payment would be subject to the excise tax provisions of Section 4999 of the Code and would exceed the applicable Parachute Threshold.

(a) A portion of the Payment to the Participant, as designated by the Participant, shall be reduced so that the Payment is $1.00 less than the Participant's Parachute Threshold. The Company shall cause the Accounting Firm to determine whether any such reduction shall be required pursuant to this Section 7.2 and, if any such reduction is required, to reduce the Payment as specified by the Participant to the extent necessary. All determinations of the Accounting Firm shall be binding on the Company and the Participant. For purposes of making the calculations required herein, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on interpretations of the Code for which there is a "substantial authority" tax reporting position. The Company shall pay all fees and expenses of the Accounting Firm.

(b) If the Participant does not make a timely election to have this Section 7.2 apply, then the Participant shall pay any Excise Tax or other amounts assessed against him or her as a result of receiving a Payment, and the Company shall have no obligation to pay such amounts.

7.3 Other Participants. A Participant described in the first sentence of Section 4.2 shall be subject to the provisions of Section 7.2 of the Plan until December 31, 2007.

Article 8. Withholding Taxes

The Company may withhold from all payments due to a Participant (or his or her beneficiary or estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

Article 9. The Company's Payment Obligation; No Mitigation

9.1 Payment Obligations Absolute. The Company's obligation to a Participant to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Participant or anyone else, except to the extent so provided in Section 6.1(c) and Article 7, if applicable. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from Participants or from whomsoever may be entitled thereto.

9.2 No Mitigation. Participants shall not be obligated to seek other employment or take other action by way of mitigation of the amounts payable or arrangements made under any provision of the Plan, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under the Plan, except to the extent provided in Section 6.1(c).

Article 10. Successors and Assignment

10.1 Successors to the Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Company's obligations under the Plan. Failure of the Company to obtain such assumption and agreement prior to the effective date of any such succession shall be a breach of the Plan and shall entitle the Participants to terminate his or her employment for Good Reason.

10.2 Assignment by the Participant. The Plan shall inure to the benefit of and be enforceable by the Participant and each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If a Participant dies while any amount would still be payable to the Participant hereunder had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan, to the Participant's beneficiary. If the Participant has not named a beneficiary, then such amounts shall be paid to the Participant's devisee, legatee, or other designee, or if there is no such designee, to the Participant's estate.

Article 11. Covenant Not to Compete; Covenant Not to Solicit.

(a) As a condition to receive the benefits described herein, a Participant whose employment is terminated for reasons other than death, shall agree that:

(i) for one year after the Participant's Termination Date, the Participant shall not work on the account of any client of the Company with whom such Participant had a direct relationship or as to which the Participant had a significant supervisory responsibility or otherwise was significantly involved at any time during the two years prior to such Termination Date;

(ii) for one year after the Participant's Termination Date, the Participant shall not hire, solicit for hire, or assist any other person in soliciting or hiring any employment candidate with whom the Participant has had contact while at the Company during the two years prior to such Termination Date;

(iii) for six months after the Participant's Termination Date, with respect to a Participant whose principal responsibilities are of a corporate nature or for a corporate department (e.g., finance, tax, treasury, legal, business affairs, etc.) and do not principally involve client service related functions, such Participant shall not work for or provide services to a principal competitor of the Company in a substantially similar corporate function as such Participant held with the Company during the two-year period prior to the Participant's Termination Date, or with respect to the Participant whose principal responsibilities are of a client service related nature (e.g., executive recruiting or search, etc.), such Participant shall not work for or provide services to a competitor of the Company on the account of any substantial competitor of any client of the Company for which such Participant had substantial responsibility during the two-year period prior to the Termination Date and shall not work directly for such a competitor of such a client; and

(iv) for one year after the Participant's Termination Date, the Participant may not (A) directly or indirectly solicit or hire, or assist any other person in soliciting or hiring, any person who, as of the Participant's Termination Date, was employed by the Company or was in the process of being recruited for employment by the Company, or (B) induce any such person to terminate his or her or her employment with or recruitment by the Company.

(b) These restrictive covenants are in addition to any rights the Company may have in law or at equity or under any other agreement.

(c) A Participant shall further agree that it is impossible to measure in money the damages which will accrue to the Company in the event the Participant breaches the restrictive covenants. Therefore, if the Company shall institute any action or proceeding to enforce the provisions hereof, the Participant shall agree to waive the claim or defense that the Company has an adequate remedy at law and the Participant shall agree not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require the Participant to account for and pay over to the Company any profit obtained by the Participant as a result of any transaction constituting a breach of the restrictive covenants.

(d) If the Participant does not execute and return to the Company a written agreement containing the restrictive covenants described in this Article 11 within 30 days of receipt of such agreement from the Company, no benefits shall be paid or provided to the Participant.

Article 12. Arbitration of Disputes

(a) Any disagreement, dispute, controversy or claim arising out of or relating to the Plan or the interpretation or validity hereof shall be settled exclusively and finally by binding arbitration. It is specifically understood and agreed that any disagreement, dispute or controversy which cannot be resolved between the parties, including without limitation any matter relating to the interpretation of the Plan, shall be submitted to arbitration irrespective of the magnitude thereof, the amount in controversy or whether such disagreement, dispute or controversy would otherwise be considered justifiable or ripe for resolution by a court or arbitral tribunal.

(b) The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the “Arbitration Rules”) of the American Arbitration Association (the “AAA”), except as otherwise provided below.

(c) The arbitral tribunal shall consist of one arbitrator. The parties to the arbitration jointly shall directly appoint such arbitrator within 30 days of initiation of the arbitration. If the parties shall fail to appoint such arbitrator as provided above, such arbitrator shall be appointed in accordance with the Arbitration Rules of the AAA and shall be a person who (i) maintains his or her or her principal place of business within 30 miles of the location of the arbitration as set forth in Section (d) of this Article 12 and (ii) has had substantial experience in mergers and acquisitions. The Company shall pay all of the fees, if any, and expenses of such arbitrator.

(d) The arbitration shall be conducted within 30 miles of the Participant’s principal work location, or in such other city in the United States of America as the parties to the dispute may designate by mutual written consent.

(e) At any oral hearing of evidence in connection with the arbitration, each party thereto or its legal counsel shall have the right to examine its witnesses and to cross-examine the witnesses of any opposing party. No evidence of any witness shall be presented unless the opposing party or parties shall have the opportunity to cross-examine such witness, except as the parties to the dispute otherwise agree in writing.

(f) Any decision or award of the arbitral tribunal shall be final and binding upon the parties to the arbitration proceeding. The parties hereto hereby waive to the extent permitted by law any rights to appeal or to seek review of such award by any court or tribunal. The parties hereto agree that the arbitral award may be enforced against the parties to the arbitration proceeding or their assets wherever they may be found and that a judgment upon the arbitral award may be entered in any court having jurisdiction.

(g) Nothing herein contained shall be deemed to give the arbitral tribunal any authority, power, or right to alter, change, amend, modify, add to, or subtract from any of the provisions of the Plan.

Article 13. Legal Fees

The Company shall pay, to the full extent permitted by law, on a quarterly basis, all legal fees and expenses which a Participant may reasonably incur as a result of any contest in which there is a reasonable basis for the claims or defenses asserted by the Participant and such claims and defenses are asserted by the Participant in good faith (regardless of the outcome thereof) regarding the validity or enforceability of, or liability under, any provision of the Plan (including as a result of any contest by the Participant about the amount of any payment pursuant to Article 6); provided, however, that the Company shall not be obligated to pay any such fees and expenses, and the Participant shall be obligated to return any such fees and expenses that were advanced, plus simple interest on such amount from the date of advancement at the 90-day U.S. Treasury Bill rate as in effect from time to time, compounded annually, if the arbitrator (as provided in Article 12) determines that the Participant was terminated for Cause or that the Participant did not have a good faith basis to assert the claim in question.

Article 14. Unfunded Status of Plan

The Plan is intended to constitute an “unfunded” plan and Participants shall have no claim against the Company or its assets other than as unsecured general creditors. Notwithstanding the foregoing, the Company may establish a trust or purchase other property to assist it in meeting its obligations hereunder; provided, however, that in no event shall any Participant have any interest in such trust or property other than as an unsecured general creditor, and this provision shall not apply to the extent funding would result in noncompliance with Section 409A(b) of the Code.

Article 15. Miscellaneous

15.1 Employment Status. Except as may be provided under any other agreement between a Participant and the Company, the employment of the Participant by the Company is “at will.” The Plan does not constitute a contract of employment or impose on the Company any obligation to retain the Participant as an employee, to change the status of the Participant’s employment, or to change the policies of the Company regarding termination of employment.

15.2 Indemnification. The Company shall indemnify the Participant and hold the Participant harmless from and against any claim, loss or cause of action arising from or out of the Participant's performance as an officer, director or employee of the Company or any of its subsidiaries or in any other capacity, including any fiduciary capacity, in which the Participant serves at the request of the Company to the maximum extent permitted by applicable law and the Company's Certificate of Incorporation and By-Laws, provided that in no event shall the protection afforded to the Participant hereunder be less than that afforded under the Company's Certificate of Incorporation and By-Laws.

15.3 Beneficiaries. Each Participant may designate one or more persons or entities as the primary and/or contingent beneficiaries of any amounts owing to the Participant under the Plan. Such designation must be in the form of a signed writing acceptable to the Board. Participants may make or change such designations at any time.

15.4 Number. Except where otherwise indicated by the context, the plural shall include the singular, and the singular shall include the plural.

15.5 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of the Plan are not part of the provisions hereof and shall have no force and effect.

15.6 Modification. The Board may amend or modify the Plan; provided, however, than no provision of the Plan may be amended or modified in a manner adverse to a Participant unless such amendment or modification is agreed to in writing by such affected Participant.

15.7 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of Illinois shall be the controlling law in all matters relating to the Plan.

15.8 Notice. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or five days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows:

If to the Company:

Heidrick & Struggles International, Inc.
233 South Wacker Drive, Suite 4200
Chicago, Illinois 60606
Attention: General Counsel

If to a Participant, the Participant's last known address as indicated in the Company's personnel records, or to such other address as either party may have provided to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

15.9 Joint and Several Obligation. If the Participant is employed during the Protected Period by one or more entities that form part of the Company, whether or not such Participant is also employed by the Company during the Protected Period, then (a) employment or termination of employment as described under this Plan shall mean employment or termination of employment of the Participant with the Company and such entity, or with such entity, as applicable, and related references to the Company shall also include such entity, as applicable and (b) each such entity shall be jointly and severally liable together with the Company for the obligations of the Company to the Participant hereunder.

15.10 Effective Date. The effective date of this Plan as amended and restated is May 24, 2007 and shall apply with respect to any Change of Control or termination of employment occurring on and after such date.

HEIDRICK & STRUGGLES

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6 December 2007

Mr. Gerry Davis
33 Beresford Road
Rose Bay, NSW, 2029

Dear Gerry

Letter of Assignment - Regional Managing Partner, Asia Pacific based in Hong Kong

I wish to confirm our recent discussions involving your relocation to Hong Kong to further your current role as Regional Managing Partner (RMP) for the Asia Pacific region. You will continue to report to me, or my successor as Chief Executive Officer.

It is expected that you will arrive in Hong Kong in mid December 2007, and stay for a period of between 3 and 6 months. As has been the case in the past, you will be required to travel throughout the Asia Pacific region during this period in the conduct of this role. This will therefore require you to regularly visit our major regional offices and particularly those in ANZ, Greater China, Singapore and India.

I am also pleased to confirm the terms and conditions of your assignment, effective 17 December 2007, as follows:

1. Compensation:

Your compensation in this role will remain as per your current contract. You can choose to have elements of this payment in Hong Kong Dollars and in Australian Dollars, the exchange rate to be determined by the spot rate on the date of payment.

2. Relocation expenses:

The following expenses will be paid, dependent upon the Company’s receipt of original invoices where appropriate, in relation to your relocation to Hong Kong:

Relocation allowance - The Company will provide a relocation allowance of up to $US2,000 against the presentation of invoices for the transport of personal possessions;

Apartment - leased by the Company on your behalf for the duration of your relocation, maximum lease cost per month to be US$6,000 per month;

Visa preparation - related costs in obtaining a Hong Kong work visa for yourself

Tax return preparation - related costs in preparing and filing Australian and Hong Kong income tax returns.

The Company intends that you should not suffer any additional tax or social charge liability in respect of the Relocation Expenses as detailed in this Section 2. All additional income taxes or social taxes related to these expenses will be reimbursed to you or paid by the Company on your behalf.

3. Other Employment Terms and Conditions:

All the terms and conditions in you original employment letter dated 25 March 1998 which are not superseded by this letter remain effective and in force except that the salary upon termination of this assignment and your return to Australia shall be as per Point 1 above.

Statement of Responsibility: The Company regards personal income taxes and social charge compliance as the obligation of all assignees. It is the policy of the Company to fully comply with the income tax and social charge requirements of both Hong Kong and Australia. The Company also expects full compliance by you with all applicable local tax and social charge laws and regulations.

I look forward to working closely with you to ensure your every success for the future.

Sincerely

L. Kevin Kelly

Chief Executive Officer

Agreed and Accepted

Gerry Davis

HEIDRICK & STRUGGLES

233 S. Wacker Drive, Suite 7000, Chicago, IL 60506 **telephone +1 {312) 496 1621** facsimile +1 (312) 496 1038

Exhibit 31.1

CERTIFICATION

I, L. Kevin Kelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heidrick & Struggles International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2008

/s/ L. Kevin Kelly

L. Kevin Kelly
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, James Andrejko, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heidrick & Struggles International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2008

/s/ James Andrejko
James Andrejko
Vice President, Corporate Controller &
Principal Accounting Officer

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Heidrick & Struggles International, Inc., a Delaware corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (the "Form 10-Q") of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2008

/s/ L. Kevin Kelly
L. Kevin Kelly
Chief Executive Officer

Exhibit 32.2

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Heidrick & Struggles International, Inc., a Delaware corporation (the “Company”), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2008

/s/ James Andrejko
James Andrejko
Vice President, Corporate Controller &
Principal Accounting Officer