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

FORM 10-K

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

For the fiscal year ended December 31, 2001

OR

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

Commission File No. 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) (Zip Code)

(312) 496-1200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	Nasdaq National Market

Securities registered pursuant to Section 12(g) of the Act: None

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The number of shares outstanding of the Company's Common Stock as of March 1, 2002 was 18,043,279 shares. The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant on March 1, 2002 (assuming that the Registrant's only affiliates are its officers, directors and 10% or greater stockholders) was approximately $276,206,215 based upon the closing market price of $16.05 on that date of a share of Common Stock as reported on the Nasdaq National Market.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders scheduled to be held on June 6, 2002, are incorporated by reference into Part III of this Form 10-K.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I

ITEM 1. BUSINESS

Heidrick & Struggles International, Inc. ("Heidrick & Struggles") is a premier provider of executive-level search and leadership consulting services. We help our clients build leadership teams by facilitating the recruitment, development and retention of their executive and mid-level management positions. During 2001, we operated principally through two lines of business: Executive Search and LeadersOnline, our mid-level management recruiting business.

Heidrick & Struggles and its predecessors have been in the executive search business for approximately 48 years. On February 26, 1999, Heidrick & Struggles Inc., which operated primarily in North America, Latin America and Asia Pacific, merged with and into Heidrick & Struggles International, Inc., which operated in Europe. As a result of the merger, today we provide our services to a broad range of clients through our worldwide network of 432 consultants located in major cities around the world. We provide our executive search services on a retained basis to a broad range of clients, recruiting senior executives who often earn more than $180,000 annually. Our clients include the following:

- Fortune 500 companies
- Major non-U.S. companies
- Middle market and emerging growth companies
- Governmental and not-for-profit organizations
- Other leading private and public entities

The executive search industry is highly fragmented, consisting of more than 5,000 executive search firms worldwide. According to trade publications, only eight firms/alliances generated more than $100 million in worldwide revenue during 2001. Executive search firms are generally separated into two broad categories: retained search firms and contingency search firms. Retained executive search firms fulfill their clients' senior leadership needs by identifying, evaluating, assessing and recommending qualified candidates for positions typically with annual cash compensation of $150,000 and above. Retained executive search firms generally are compensated for their services whether or not they are successful in placing a candidate, and are generally retained on an exclusive basis. In contrast, contingency search firms typically focus primarily on positions with annual cash compensation of less than $150,000 and are compensated only upon successfully placing a recommended candidate. Executive search firms normally charge a fee for their services equal to approximately one-third of the first year's total compensation for the position being filled.

Our executive search process typically consists of the following steps:

- Analyze the client's needs in order to understand its organizational structure; determine the required set of skills for the position, relationships and culture; define the required experience; and identify the other characteristics necessary for the successful candidate
- Interview and evaluate candidates on the basis of experience and potential cultural fit with the client organization
- Present confidential written reports on the candidates who most closely fit the position specification
- Schedule a mutually convenient meeting between the client and each candidate
- Collect references on the final candidate
- Assist in structuring the compensation package and supporting the successful candidate's integration into the client team

Over the past several years we have begun to expand our services beyond Executive Search. In March 1999, we launched our mid-level recruiting business as a separate subsidiary called LeadersOnline, after approximately two years of development. As of January 1, 2002, we completed the integration of LeadersOnline into our Executive Search business and now market it primarily in the United States and Europe under the name Heidrick & Struggles Management Search. Our focus is the placement of high potential executives and professionals who represent the next generation of leadership within organizations, utilizing tools that include the Internet and our proprietary candidate matching and tracking technology. The positions for which we recruit in this practice typically have annual compensation in the $75,000 to $180,000 range. For several years, we have offered management assessment and interim executive placement services in Europe. In late 2000, we extended our management assessment business to the United States and other parts of the world. This service, called Heidrick & Struggles Executive Assessment, provides senior-level executives with objective assessments of the individuals and teams reporting to them. In addition, we plan to expand our interim executive management placement offering into the United States in early 2002.

Matrix Structure

Our matrix structure, which is organized by geography, industry practices and functional positions, is designed to enable us to better understand our clients' cultures, operations, business strategies and industries, thereby improving our ability to serve them.

Geographic Structure. We provide executive-level search and leadership consulting to our clients worldwide through our locations in 34 countries. Most locations are managed by an Office Managing Partner or a Partner in Charge, and staffed with consultants, associates, administrative assistants and other support staff. Administrative functions are centralized where possible, although certain support and research functions are situated regionally because of variations in local requirements.

Industry Practices. We have seven core industry practice groups within Executive Search: financial services, technology, industrial, consumer products, health care, professional services, and higher education/not-for-profit. These core industry practice groups and their relative sizes, as measured by revenue for 2001, are as follows:

Industry Practice Group	Percentage of Revenue
Financial Services.............	28%
Technology.....................	25
Industrial.....................	17
Consumer Products..............	13
Health Care....................	8
Professional Services..........	5
Higher Education/Not-for-Profit	3
Other..........................	1
	100%

Executive search consultants from each of these industry practice groups may reside in any one of our locations. Certain markets have a significant concentration of companies within particular industry sectors, and we have designated certain locations as competency centers for a practice. For example, our Financial Services practice group has its largest concentration of consultants in New York and London, two of the largest financial centers in the world. Each industry practice group is coordinated by a Practice Managing Partner who establishes marketing and search strategies, identifies focused accounts and target clients, and facilitates and assists with the group's marketing activities.

Functional Specialties. We recognize that searching for candidates for certain executive positions often requires specialized skill in much the same way as a search for an executive in a particular industry. As a result, many of our executive search consultants also specialize in searches for functional positions such as members of boards of directors, chief executive officers, chief financial officers and chief information officers. Typically, a consultant in a particular industry practice group who receives an assignment for a given functional position will consult throughout the search assignment with one or more colleagues with the appropriate functional expertise. This coordination benefits our clients because the best candidate for certain functional positions often will come from a different industry. For example, a client in the industrial sector seeking a new chief information officer may benefit from exposure to a candidate whose background is in the health care sector, even though that candidate may be less well known by the members of our Industrial practice group. Because our functional specialists tend to have experience with appropriate candidates from many different industries, they can bring the necessary experience from a range of industry practice groups to the assignment.

On a given search assignment, we will generally utilize the expertise of executive search consultants in more than one of our locations, industry practice groups and functional specialties. For example, an executive search for a chief financial officer of a technology company located in the United Kingdom may involve an executive search consultant in the United Kingdom with an existing relationship with the client, another executive search consultant in Menlo Park with expertise in the Technology practice group and a third executive search consultant in New York with expertise in chief financial officer recruiting.

Information by Segment

Executive Search Regions:

North America. As of December 31, 2001, we employed 217 executive search consultants working in our North America segment, which includes the United States (except Miami) and Canada. Our North America segment generated approximately 52% of our worldwide revenue in 2001. The largest offices in this segment in terms of revenue are New York, Chicago and Menlo Park.

Latin America. As of December 31, 2001, we had 23 executive search consultants working in our Latin America segment, which includes Mexico and the rest of Latin America, as well as Miami, which serves as the gateway office to the region. Approximately 3% of our worldwide revenue in 2001 was generated in this segment.

Europe. As of December 31, 2001, we had 157 executive search consultants in 18 European countries and one location in the Middle East. Our Europe segment generated approximately 34% of our worldwide revenue in 2001. Germany, the United Kingdom and France produced the highest levels of revenue in this segment.

Asia Pacific. As of December 31, 2001, we had 35 executive search consultants in the Asia Pacific segment. This segment generated approximately 6% of our worldwide revenue in 2001.

LeadersOnline:

LeadersOnline, headquartered in Aliso Viejo, California during 2001, had 49 full-time employees as of December 31, 2001. LeadersOnline represented approximately 5% of our worldwide revenue in 2001. In early 2002, we completed the integration of LeadersOnline into our Executive Search business and will operate it as a practice within our Executive Search business.

For financial information relating to each operating segment, see Note 3 in the Notes to Consolidated Financial Statements.

Seasonality

Historically, in years that were not affected by significant economic change, there has been some seasonality in our business. As a percentage of total annual revenue, the first and fourth quarters of the year are typically the lowest, although on average, the variance between the highest and lowest revenue quarters is less than five percentage points.

Clients and Marketing

Our consultants market the firm's executive and management search services through two principal means: targeted client calling and industry networking with clients and referral sources. These efforts are assisted by our databases, which provide all our consultants with information as to contacts made by their colleagues with particular referral sources, candidates and clients. In addition, we benefit from a significant number of referrals generated by our reputation for successfully completed assignments.

Either by agreement with clients or for client relations purposes, executive search firms sometimes refrain from recruiting employees of a client, and possibly other entities affiliated with that client, for a specified period, generally not more than one year from the commencement of a search. We seek to mitigate adverse effects of these blocking arrangements by strengthening our long-term relationships, thereby communicating our belief to prospective clients that we can conduct searches without off-limits issues impeding the quality of our work.

No single client accounted for over 3% of our revenue in 2001.

Information Management

We rely on technology to support our consultants and staff in the search process. Our technology infrastructure consists of internally developed databases containing candidate profiles and client records, coupled with online services and industry reference sources. We use technology to manage and share information on current and potential clients and candidates, to communicate to both internal and external constituencies, and to support administrative functions. Over the past several years, we have invested in improving regional systems. We intend to continue to invest in our own systems, focusing on a global search system, and our financial management and reporting systems.

Professional Staff and Employees

Our executive search professionals are categorized either as consultants or associates. Associates assist consultants by conducting research, making initial contact with candidates in some instances, and performing other functions. As of December 31, 2001, we had 1,844 full-time employees, of whom 432 were executive search consultants, 534 were associates, 829 were other search, support and corporate staff, and 49 worked for LeadersOnline. During 2001, we reduced our workforce by approximately 620 people, or 25% of our global workforce, including 136 executive and management search consultants, in order to adjust to economic conditions. As of February 28, 2002, we reduced our global workforce by approximately 60 additional employees, including 23 executive and management search consultants.

In each of the past five years, no single consultant accounted for any material portion of our revenues. We most frequently recruit our consultants from other executive search firms, or from the industries represented by our practices. In the latter case, these are often seasoned managers who are entering the search profession as a second career, and who we train in our techniques and methodologies. We are not a party to any collective bargaining agreement and we consider relations with our employees to be good.

Competition

The executive search industry is highly competitive. There are relatively few barriers to entry into the executive search industry. While we face competition to some degree from all firms in the industry, we believe our most direct competition comes from other established retained search firms. In particular, we compete against other large search firms specializing in senior-level executive search, including Spencer Stuart & Associates, Egon Zehnder International, Russell Reynolds Associates, Inc., Korn/Ferry International and TMP Worldwide, Inc. To a lesser extent, we also face competition from smaller boutique or specialty firms that specialize in certain regional markets or industry segments. Each firm with which we compete is also a competitor in seeking to attract the most effective consultants. In our experience, the executive search business is more quality-sensitive than price-sensitive, particularly in senior-level assignments. As a result, we compete on the level of service we offer, reflected by our industry practice groups, functional specialties and client focus, and, ultimately, on the quality of our search results. We believe that our emphasis on senior-level executive search, the depth of experience of our search consultants and our global presence enable us to compete favorably with other executive search firms in the United States and elsewhere.

OUR EXECUTIVE OFFICERS

The following lists our executive officers as of March 1, 2002.

Name	Age	Position with Company
Piers Marmion........	43	Chairman and Chief Executive Officer; Director
David C. Anderson....	59	President and Chief Operating Officer; Director
John T. Gardner......	58	Vice Chairman, Board Services
Brian M. Sullivan....	48	Vice Chairman, Client Services
Kevin J. Smith.......	47	Chief Financial Officer; Treasurer
Stephanie W. Abramson	57	Chief Legal Officer and Chief Corporate Development Officer; Secretary
Knox J. Millar.......	48	Chief Human Resources Officer

Our executive officers serve at the discretion of our Board of Directors. There are no family relationships between any executive officer or director. The following information sets forth the business experience for at least the past five years for each of our executive officers as of March 1, 2002.

Piers Marmion has been our Chairman since December 2001, our Chief Executive Officer since October 2001 and a member of our Board of Directors since March 2001. Prior to his appointment as Chief Executive Officer, Mr. Marmion was Chief Operating Officer and President--International of Heidrick & Struggles Executive Search since August 2000. Prior to joining us, Mr. Marmion was Chief Operating Officer Worldwide and Head of Europe and Asia at Spencer Stuart & Associates from 1994 to 2000.

David C. Anderson has been our President and Chief Operating Officer since October 2001 and a member of our Board of Directors since 1999. Previously, Mr. Anderson had been President and Chief Executive Officer of Heidrick & Struggles Executive Search since June 2000. Mr. Anderson was also President--Americas of Heidrick & Struggles Executive Search from September 1999 until June 2000. From November 1998 to September 1999, he was North America Managing Partner; prior to that he held the position of Office Managing Partner in our Dallas office since joining the firm in 1992.

John T. Gardner has been our Vice Chairman, Board Services since October 2001. Prior to that, Mr. Gardner was President, Global Practices from June 2000 to October 2001 and Managing Partner of our Industrial practice group from November 1993 to June 2000.

Brian M. Sullivan has been Vice Chairman, Client Services since October 2001. Previously, Mr. Sullivan was Managing Partner of our Global Financial Services practice group from September 1999 to October 2001. From 1988 to 1999, he was President of Sullivan & Company which we merged with in September 1999. Mr. Sullivan is on a leave of absence and is expected to return to full time employment no later than December 31, 2002.

Kevin J. Smith has been our Chief Financial Officer and Treasurer since joining us in January 2002, after the resignation of Donald Kilinski as Chief Financial Officer on January 31, 2002. Prior to that, Mr. Smith was the Executive Vice President and Chief Financial Officer from 2000 to 2001 and the Senior Vice President and Chief Accounting Officer from 1998 to 2000 at True North Communications, Inc. From 1997 to 1998 he held various positions with Midcom Communications, Inc., including Executive Vice President and Chief Financial Officer, Chief Executive Officer, and consultant.

Stephanie W. Abramson has been our Chief Legal Officer and Chief Corporate Development Officer and Secretary since joining us in February 2001. Prior to that, Ms. Abramson was Executive Vice President, General Counsel and Secretary at Young & Rubicam Inc., from 1995 to 2001. From 1980 to 1995, she was a partner in the law firm of Morgan, Lewis and Bockius.

Knox J. Millar has been our Chief Human Resources Officer since joining us in June 2001. Prior to that, Mr. Millar was an independent human resource consultant from 2000 to 2001. From 1999 to 2000 he was Executive Vice President Human Resources Worldwide at Young & Rubicam Inc. From 1998 to 1999 he was an independent human resource consultant. From 1991 to 1998 he was Senior Vice President Human Resources at EMI Music Worldwide.

RISK FACTORS

In addition to other information in this Form 10-K, the following risk factors should be carefully considered in evaluating Heidrick & Struggles' business because such factors currently may have a significant impact on our operating results and financial condition. As a result of the risk factors set forth below and elsewhere in this Form 10-K, and the risk factors discussed in Heidrick & Struggles' other Securities and Exchange Commission filings, actual results could differ materially from those projected in any forward-looking statements.

We depend on attracting and retaining qualified consultants.

Our success depends upon our ability to attract and retain consultants who possess the skills and experience necessary to fulfill our clients' executive and management search needs. Our ability to hire and retain qualified consultants could be impaired by any diminution of our reputation, decrease in compensation levels or restructuring of our compensation system, or competitor hiring programs. If we cannot attract, hire and retain such consultants, our business, financial condition and results of operations will suffer.

We may not be able to prevent our consultants from taking our clients with them to another firm.

Our success depends upon the ability of our consultants to develop and maintain strong, long-term relationships with our clients. Usually, one or two consultants have primary responsibility for a client relationship. When a consultant leaves one executive search firm and joins another, clients that have established relationships with the departing consultant may move their business to the consultant's new employer. We may also lose clients if the departing consultant has widespread name recognition or a reputation as a specialist in executing searches in a specific industry or management function. Historically, we have not experienced significant revenue loss from this client portability. However, we terminated the employment of 136 executive and management search consultants in 2001 and an additional 23 consultants through February 2002 in connection with our efforts to better align our costs with anticipated levels of revenue. We may terminate additional employees including consultants in 2002 if we need to reduce costs further. If we fail to prevent our departing consultants from moving business to another employer, our business, financial condition and results of operations will be adversely affected.

Our success depends on our ability to maintain our professional reputation and brand name.

We depend on our overall reputation and brand name recognition to secure new engagements and hire qualified consultants. Our success also depends on the individual reputations of our consultants. We obtain a majority of our new engagements from existing clients or from referrals by those clients. A client who is dissatisfied with our work can adversely affect our ability to secure new engagements. If any factor hurts our reputation, including poor performance, we may experience difficulties in competing successfully for both new engagements and qualified consultants. Failure to maintain our professional reputation and brand name could seriously harm our business.

Because our clients may restrict us from recruiting their employees, we may be unable to fill existing executive search assignments.

Clients frequently require us to refrain from recruiting certain of their employees when conducting executive searches on behalf of other clients. These restrictions generally remain in effect for one year following the commencement of an engagement. However, the specific duration and scope of the blocking arrangements depend on the length of the client relationship, the frequency with which the client engages us to perform searches, the number of assignments we have performed for the client and the potential for future business with the client.

If a client's competitors believe that we are overly restricted by these blocking arrangements from recruiting the employees of our clients, these competitors may not engage us to perform their executive searches and our business, financial condition and results of operations may suffer.

We face aggressive competition.

The global executive search industry is extremely competitive and highly fragmented. We compete with other large global executive search firms and with smaller specialty firms. Specialty firms can focus on regional or functional markets or on particular industries. Some of our competitors possess greater resources, greater name recognition and longer operating histories than we do in particular markets or practice areas. There are limited barriers to entry into the search industry and new search firms continue to enter the market. Many executive search firms that have a smaller client base may be subject to fewer blocking arrangements. We may not be able to continue to compete effectively with existing or potential competitors. In addition, our significant clients or prospective clients may decide to perform executive searches using in-house personnel.

We rely heavily on information management systems.

Our success depends upon our ability to store, retrieve, process and manage substantial amounts of information. To achieve our goals, we must continue to improve and upgrade our information management systems. We may be unable to license, design and implement, in a cost-effective and timely manner, improved information systems that allow us to compete effectively. If we experience any interruptions or loss in our information processing capabilities, our business, financial condition and results of operations will suffer.

We face the risk of liability in performing executive searches.

We are exposed to potential claims with respect to the executive search process. A client could assert a claim for violations of blocking arrangements, breaches of confidentiality agreements or malpractice. In addition, a candidate could assert an action against us. Possible claims include failure to maintain the confidentiality of the candidate's employment search or for discrimination or other violations of the employment laws. In various European countries, we are subject to data protection laws which require the consent of a candidate to transfer resumes and other data. We maintain professional liability insurance in amounts and coverages that we believe are adequate. However, we cannot guarantee that our insurance will cover all claims and that the coverage will be available at reasonable rates.

Our multinational operations may be adversely affected by social, political and economic risks.

We generate substantial revenue outside the United States. We offer our services through our locations in 34 countries around the world. We are exposed to the risk of changes in social, political and economic conditions inherent in foreign operations. In particular, we conduct business in countries where the legal systems and trade practices are evolving. Commercial laws in these countries are often vague, arbitrary and inconsistently applied. Under these circumstances, it is difficult for us to determine at all times the exact requirements of such local laws. If we fail to comply with local laws, our business, financial condition and results of operations will suffer. In addition, the global nature of our operations poses challenges to our management, and financial and accounting systems. Failure to meet these challenges could seriously harm our business.

We may not be able to align our cost structure with revenue.

The timing and strength of an economic recovery in the United States and other areas of the world continues to be unclear. It is difficult for us to forecast revenue generation with any degree of certainty, even in the near term. As a result, our ability to balance our costs with maintaining capacity for anticipated increases in demand in an economic recovery is limited. In 2001 and the first quarter of 2002, we have taken steps to reduce our workforce, consolidate or close offices and reduce other expenses. If we do not reduce our costs in proportion to demand for our services in a timely manner or if we reduce our workforce so that we are unable to service increased demand, our financial results could be affected.

Our ability to collect our receivables could affect our earnings and cash flows.

The combination of economic weakness and the increase in the number of start-up Internet companies that have ceased operations affected our ability to collect, in late 2000 and early 2001, for services we had performed. Prolonged economic weakness or the departure of a significant number of consultants could inhibit our ability to collect our receivables. This could affect our earnings and cash flows.

We have antitakeover provisions that make an acquisition of us more difficult and expensive.

Antitakeover provisions in our Certificate of Incorporation, our Bylaws and the Delaware laws make it more difficult and expensive for us to be acquired in a transaction which is not approved by our Board of Directors. Some of the provisions in our Certificate of Incorporation and Bylaws include:

- a classified board of directors

- limitations on the removal of directors

- limitations on stockholder actions

- advance notification requirements for director nominations and actions to be taken at stockholder meetings

- the ability to issue one or more series of preferred stock by action of our Board of Directors

These provisions could discourage an acquisition attempt or other transaction in which stockholders receive a premium over the current market price for our common stock.

ITEM 2. PROPERTIES

Our corporate office is located in Chicago, Illinois. We have locations in the major metropolitan areas in 34 countries around the world and we lease space for all of our locations. The aggregate square footage of office space under such leases was approximately 698,000 as of December 31, 2001. These office leases call for future minimum lease payments of approximately $137 million and have terms that expire between 2002 and 2020, exclusive of renewal options that we can exercise. The square footage and lease payment data exclude the amounts related to offices closed as part of the cost reduction initiatives in 2001. We intend to continue to reduce square footage and lease payments in 2002 as part of our effort to align our costs with anticipated levels of revenue.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the last quarter of 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the Nasdaq National Market under the symbol "HSII." The following table sets forth the high and low intra-day stock price per share of the common stock for the periods indicated, as reported on the Nasdaq National Market.

Year Ended December 31, 2001	High	Low
First Quarter........	$45.00	$25.00
Second Quarter.......	35.90	19.65
Third Quarter........	22.75	12.00
Fourth Quarter.......	21.90	13.34
Year Ended December 31, 2000		
First Quarter........	$42.50	$31.44
Second Quarter.......	64.75	32.50
Third Quarter........	75.00	42.75
Fourth Quarter.......	62.31	33.50
Year Ended December 31, 1999		
First Quarter........	N/A	N/A
Second Quarter.......	$20.13	$12.75
Third Quarter........	19.50	14.63
Fourth Quarter.......	46.00	17.25

As of March 1, 2002, the last reported price on the Nasdaq National Market for our common stock was $16.05 per share and there were approximately 299 stockholders of record of the common stock.

We have never paid cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain all of our earnings for the future operations and expansion of our business. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will be dependent upon our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors deemed relevant by the Board of Directors. Our credit facility prohibits us from declaring and paying cash dividends on the common stock without the consent of our lenders. Future indebtedness and loan facilities also may prohibit or restrict our ability to pay dividends and make distributions to our stockholders.

On February 9, 2000, we completed a follow-on public offering under a Registration Statement on Form S-1 effective February 3, 2000 (File No. 333-94017) of an aggregate of 3,450,000 shares of common stock at $33.00 per share, which included 450,000 shares from the exercise of the over-allotment option granted to certain underwriters of the offering. We offered 2,458,306 shares and the selling stockholders offered 991,694 shares. This offering resulted in net proceeds (after deducting the underwriting discount and offering expenses) of $76.2 million to us and $31.0 million to the selling stockholders. We did not receive any of the proceeds resulting from the sale by selling stockholders. We used a portion of the net proceeds from this offering for general corporate purposes including funding the development of LeadersOnline and other growth initiatives, hiring of additional executive search consultants, expanding our technology infrastructure and funding acquisitions. We intend to use the remainder of the proceeds for general corporate purposes.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below have been derived from the audited consolidated financial statements of Heidrick & Struggles International, Inc. ("the Company"), which were audited by Arthur Andersen LLP, independent public accountants. The data set forth are qualified in their entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, the notes thereto, and the other financial data and statistical information included in this Form 10-K.

	Year Ended December 31,				
	2001	2000	1999(6)	1998	1997
	(in thousands, except per share and other operating data)				
Statement of Operations Data:					
Revenue	$455,534	$594,394	$415,847	$216,836	$193,052
Operating expenses:					
Salaries and employee benefits:					
Salaries and employee benefits	302,792	395,105(4)	277,580	161,870	135,473
Nonrecurring compensation charges	--	12,222(5)	14,448(7)(8)	12,748(9)	--
General and administrative expenses:					
General and administrative expenses	157,404	156,242	104,144	53,557	44,736
Nonrecurring general and administrative charges	--	1,753(5)	772(7)	--	--
Special charges	53,230(1)	--	--	--	--
Total operating expenses	513,426	565,322	396,944	228,175	180,209
Operating income (loss)	(57,892)	29,072	18,903	(11,339)	12,843
Non-operating income (expense):					
Interest income	5,523	8,723	3,513	1,585	1,626
Interest expense	(166)	(209)	(1,504)	(505)	(150)
Realized gains on investments	978	7,399	782	--	--
Net unrealized loss on derivative instruments	(4,681)(2)	--	--	--	--
Write-down of long-term investments	(14,760)(3)	(240)	--	--	--
Other, net	(517)	418	(152)	(2,212)(10)	486
Net non-operating income (expense)	(13,623)	16,091	2,639	(1,132)	1,962
Equity in net income (loss) of affiliate	--	--	(630)	(3,417)	20
Income (loss) before income taxes and cumulative effect of accounting change	(71,515)	45,163	20,912	(15,888)	14,825
Provision for (benefit from) income taxes	(24,094)	25,746	15,120	1,302	7,999
Net income (loss) before cumulative effect of accounting change	(47,421)	19,417	5,792	(17,190)	6,826
Cumulative effect of accounting change, net of tax	4,494(2)	--	--	--	--
Net income (loss)	$(42,927)	$ 19,417	$ 5,792	$(17,190)	$ 6,826
Basic earnings (loss) per common share	$ (2.28)	$ 1.02	$ 0.42	$ (5.85)	$ 2.31
Basic weighted average common shares outstanding	18,839	18,979	13,642	2,940	2,949
Diluted earnings (loss) per common share	$ (2.28)	$ 0.95	$ 0.42	$ (5.85)	$ 2.31
Diluted weighted average common shares outstanding	18,839	20,389	13,889	2,940	2,950
Balance Sheet Data (at end of period):					
Working capital	$ 92,669	$120,340	$ 54,007	$ 7,954	$ 25,570
Total assets	411,106	523,644	334,749	128,775	96,222
Long-term debt, less current maturities	1,959	610	--	6,350	1,636
Mandatorily redeemable common stock	--	--	--	44,422	48,153
Stockholders' equity	229,591	287,677	167,880	--	--
Other Operating Data:					
Average number of consultants during the period	507	441	347	207	164

Notes to Selected Financial Data (per share amounts are expressed on a diluted basis):

(1) For 2001, the Company incurred special charges of $53.2 million ($1.76 per share). These special charges related to reductions of the Company's workforce, primarily in the 2001 second and fourth quarters, consolidation and closing of offices, and the settlement of the former CEO's contract upon his retirement.

(2) On January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its subsequent amendments. As a result, the Company recorded a transition adjustment of $4.5 million ($0.24 per share), net of consultants' bonuses, administrative and other costs, and taxes. In addition, for the twelve months ended December 31, 2001, the Company recorded an unrealized loss of $4.7 million ($0.15 per share), net of consultants' bonuses, and administrative and other costs due to SFAS No. 133.

(3) During 2001, the Company incurred charges of $14.8 million ($0.49 per share) in connection with writing down its investments in Silicon Valley Internet Capital and ETF Group.

(4) Includes a non-cash compensation charge of $2.7 million ($0.13 per share), due to the issuance of options by LeadersOnline, at a price below the deemed fair market value for accounting purposes, at the time of issuance.

(5) The Company incurred a $14.0 million nonrecurring charge ($0.60 per share) during the third quarter of 2000 as a result of the withdrawal of LeadersOnline's proposed initial public offering. This included a non-cash compensation charge of $12.2 million which represents the remainder of the non-cash compensation charge related to the issuance of options by LeadersOnline, at a price below the deemed fair market value for accounting purposes, at the time of issuance. The remaining $1.8 million is due to the write-off of expenses related to the planning of the proposed initial public offering and is included in nonrecurring general and administrative charges.

(6) Heidrick & Struggles, Inc. acquired Heidrick & Struggles International, Inc., on February 26, 1999. The historical results of operations of Heidrick & Struggles International, Inc. have been included in the consolidated financial statements subsequent to the date of acquisition. See Note 2 in the Notes to Consolidated Financial Statements.

(7) The Company incurred costs of $2.8 million ($0.14 per share) during the third quarter of 1999 as a result of its merger with Sullivan & Company on September 1, 1999. The costs consist of (1) a $2.0 million non-cash compensation charge for accelerated vesting of an employee equity ownership program in place at Sullivan & Company and (2) $0.8 million of transaction-related costs, including legal, accounting and advisory fees which are included in nonrecurring general and administrative charges.

(8) The Company incurred a $12.4 million nonrecurring compensation charge ($0.89 per share) during the first quarter of 1999 as a result of the modification of the terms of the Mulder & Partner GmbH & Co. KG ("Mulder") acquisition agreement, including the termination of all employment contingencies. This nonrecurring charge represents the write-off of $2.9 million of deferred compensation assets, the settlement of the remaining cash due of $4.3 million, and the issuance of 428,452 common shares (worth $5.2 million) to the previous owners of Mulder.

(9) The Company incurred $12.7 million of nonrecurring charges ($4.34 per share) comprised of (1) $9.9 million of salaries and employee benefits expense arising from the difference between the issuance price of shares issued by the Company to certain of its employees in December 1998 and the fair market value of such shares at the date of grant and (2) $2.8 million of salaries and benefits expense relating to the early settlement of profit sharing arrangements upon the acquisition of certain Latin American locations.

(10) Includes a nonrecurring $2.5 million charge ($0.53 per share) incurred in connection with the costs of the postponement of an initial public offering in September 1998.

ITEM 7. 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 Annual Report on Form 10-K contain 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," 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; a continuing economic downturn in the United States or a material economic downturn in Europe or elsewhere, or social or political instability in overseas markets; bad debt write-offs in excess of allowances for doubtful accounts; losses in our venture capital investments; an inability to achieve the planned cost savings from our cost reduction initiatives; and delays in the development and/or implementation of new technology and systems. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

Heidrick & Struggles International, Inc. is a premier provider of executive-level search and leadership consulting services. We help our clients build leadership teams by facilitating the recruitment, development and retention of their executive and mid-level management positions. We also provide other human capital management services, including management assessment and placement of interim executive management.

On February 26, 1999, Heidrick & Struggles, Inc., which operated primarily in North America, Latin America and Asia Pacific, merged with and into Heidrick & Struggles International, Inc. ("HSI"), which operated in Europe, (the "Merger"). The resulting company was named Heidrick & Struggles International, Inc.

As a result of the Merger, the historical results of the operations of HSI have been included in the consolidated financial statements subsequent to the date of acquisition. The full twelve months of HSI's operations are included in the consolidated financial statements for 2001 and 2000, whereas only approximately ten months are included in 1999. In addition to the Merger, our results of operations reflect the operations of several entities acquired in 1999, 2000 and 2001, accounted for using the purchase method. The results of these acquired companies are included in the consolidated financial statements beginning with the date of acquisition. These acquisitions did not have a material effect on the consolidated financial statements. In addition, in 1999, we merged with one entity and accounted for this merger using the pooling of interest method. The results of this merger are included in the consolidated financial statements for all periods presented.

During 2001, we operated principally through two lines of business: Executive Search and LeadersOnline, our mid-level management recruiting business. In 2001, we adjusted our segment reporting to reflect changes in the internal management reporting structure, which included changes in the allocation of certain costs to operations and corporate expenses. We break out revenue and operating income in our Executive Search business into two broad geographic segments: Americas and International. The Americas segment consists of North America and Latin America. The North America region includes the United States (except Miami) and Canada. The Latin America region includes Mexico and the rest of Latin America, as well as Miami, which serves as our gateway office to the region. The International segment consists of Europe (which includes Africa and the Middle East) and Asia Pacific. Prior period segment disclosures were revised to reflect these changes.

As of January 1, 2002 we completed the integration of LeadersOnline into our Executive Search business. As a result, we will no longer report our mid-level management recruiting business as a separate segment. We consider it a practice and call it the Management Search practice.

During 1999 and 2000, the executive search industry experienced a dramatic increase in demand for its services in all markets based on increased competition for executive talent, the need for executives with diverse and global leadership skills and the proliferation of Internet and e-commerce businesses. Our rate of growth in revenue during this period exceeded both the industry trend and our historical average because of the need for management at start-up companies, the creation of new e-commerce positions at more established companies and the growth in the financial services industry. We responded to these trends by increasing the number of consultants and the number of offices from which we served our clients. In 2000, we added more than 100 consultants, including consultants experienced in executive search and employees from other disciplines who were new to search.

The slowdown in the United States economy, especially in the financial services and technology sectors, followed by a slowdown in other markets, created an environment where these trends began to reverse. Commencing in June 2001, when we anticipated a reduction in revenue compared to 2000, we took steps to reduce our cost base by reducing our workforce while retaining capacity to meet additional demand when the economy recovers. In October 2001, we announced further reductions in our workforce and consolidated or eliminated office space.

Results of Operations

The following table sets forth, for the periods indicated, our selected statements of operations data:

	Year Ended December 31,		
	2001	2000	1999
	(In thousands)		
Revenue	$455,534	$594,394	$415,847
Operating expenses:			
Salaries and employee benefits:			
Salaries and employee benefits	302,792	395,105	277,580
Nonrecurring compensation charges	--	12,222	14,448
General and administrative expenses:			
General and administrative expenses	157,404	156,242	104,144
Nonrecurring general and administrative charges	--	1,753	772
Special charges	53,230	--	--
Total operating expenses	513,426	565,322	396,944
Operating income (loss)	(57,892)	29,072	18,903
Non-operating income (expense), net	(13,623)	16,091	2,639
Equity in net loss of affiliate	--	--	(630)
Income (loss) before income taxes and cumulative effect of accounting change	(71,515)	45,163	20,912
Provision for (benefit from) income taxes	(24,094)	25,746	15,120
Net income (loss) before cumulative effect of accounting change	(47,421)	19,417	5,792
Cumulative effect of accounting change, net of tax	4,494	--	--
Net income (loss)	$(42,927)	$ 19,417	$ 5,792

The following table sets forth, for the periods indicated, our selected statements of operations data as a percentage of revenue:

	Year Ended December 31,		
	2001	2000	1999
Revenue	100.0%	100.0%	100.0%
Operating expenses:			
Salaries and employee benefits:			
Salaries and employee benefits	66.5	66.5	66.8
Nonrecurring compensation charges	--	2.1	3.5
General and administrative expenses:			
General and administrative expenses	34.6	26.3	25.0
Nonrecurring general and administrative charges	--	0.3	0.2
Special charges	11.7	--	--
Total operating expenses	112.7	95.1	95.5
Operating income (loss)	(12.7)	4.9	4.5
Non-operating income (expense), net	(3.0)	2.7	0.6
Equity in net loss of affiliate	--	--	(0.2)
Income (loss) before income taxes and cumulative effect of accounting change	(15.7)	7.6	5.0
Provision for (benefit from) income taxes	(5.3)	4.3	3.6
Net income (loss) before cumulative effect of accounting change	(10.4)	3.3	1.4
Cumulative effect of accounting change, net of tax	1.0	--	--
Net income (loss)	(9.4)%	3.3%	1.4%

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

2001 Compared to 2000

Revenue. Our consolidated revenue of $455.5 million for 2001 represented a decline of $138.9 million, or 23.4%, from $594.4 million in 2000, reflecting the impact of the recent global economic slowdown. Excluding the effect of foreign currency translation into the U.S. dollar, revenue for 2001 decreased 22% from 2000. The decline was due primarily to a decrease in demand for our executive search services across most geographies, industries and disciplines. North America experienced the largest decline, on a regional basis. From an industry perspective, our Technology, Financial Services and Consumer practice groups were most affected.

Our Executive Search revenue was $433.9 million for 2001, a decline of $140.3 million, or 24.4%, from $574.2 for 2000. Although we conducted fewer searches overall, searches conducted for the highest level of management positions represented a larger portion of the total mix of searches than in 2000, which resulted in a higher level of fees per search in 2001. Confirmed searches decreased 36% compared to 2000, while fees per search rose 19%.

In North America, revenue was $236.5 million for 2001, a decrease of $106.9 million, or 31.1%, from $343.4 million for 2000. While all practice groups had lower revenue, the Technology and Financial Services practices were most affected by lower demand. In Latin America, revenue was $14.5 million for 2001, a decrease of $5.5 million, or 27.4%, from $20.0 million for 2000. The decline in revenue was primarily in our Technology and Consumer practices. Europe's revenue was $155.7 million for 2001, a decrease of $20.7 million, or 11.8%, from $176.4 million for 2000. Excluding the impact of foreign currency translation into the U.S. dollar, revenue decreased 9% on a local currency basis compared to 2000. Higher revenue in the Professional Services, Higher Education/Not-for-Profit and Industrial practices was more than offset by declines in other practices. In Asia

Pacific, revenue was $27.2 million for 2001, a decrease of $7.2 million, or 20.9%, from $34.4 million for 2000, reflecting lower demand in most practice groups. Excluding the impact of foreign currency translation into the U.S. dollar, revenue decreased 14% on a local currency basis compared to 2000.

LeadersOnline's revenue was $21.6 million for 2001, an increase of $1.4 million, or 7.0%, from $20.2 million in 2000. Demand for its services increased in the first half of the year, before declining modestly in the second half of the year. During 2001, LeadersOnline entered into contracts for 384 new searches worldwide, with an average annual compensation level of $165,000 per placement compared to contracts for 485 new searches in 2000 with an average compensation level of $135,900.

Salaries and employee benefits. Our consolidated salaries and employee benefits were $302.8 million for 2001, a decrease of $92.3 million, or 23.4%, from $395.1 million for 2000. As a percentage of revenue, salaries and employee benefits were 66.5% for both 2001 and 2000. The decline in dollar terms was primarily due to lower accruals for performance-based compensation for management, executive search consultants and support staff attributable to the impact of reduced levels of revenue and profitability on our variable compensation structure. The expense also declined because we renegotiated certain minimum guaranteed compensation that resulted in an extension from a one-year to a three-year amortization period, and because we recouped in the first quarter of 2001 previously accrued performance-related bonuses that were not earned because individuals did not meet performance goals in 2000. Partially offsetting these reductions was an increase in expense due to a greater number of executive search consultants and support staff compared to the prior year. The average number of executive search consultants for 2001 was 507, an increase of 15% compared to an average of 441 for 2000.

General and administrative expenses. Our consolidated general and administrative expenses were $157.4 million for 2001, an increase of $1.2 million, or 0.7%, compared to $156.2 million for 2000. As a percentage of revenue, general and administrative expenses increased to 34.6% for 2001 from 26.3% in 2000, primarily because of the relatively large fixed component of our costs matched against substantially lower than anticipated revenue. The increase in dollar terms reflects higher facilities and related expenses due to the increase in the average number of executive search consultants and support staff, higher practice and professional development expenses and higher technology-related expenses, offset by lower bad debt expense reflective of lower revenue levels and improved collections, and reductions in marketing and general operating expenses at LeadersOnline. Given the savings from planned discretionary spending controls in 2002 and our cost reduction activity in 2001 and through February 2002, we expect general and administrative expenses as a percentage of revenue to decline in 2002 compared to 2001.

Special charges. For 2001, we incurred special charges of $53.2 million related to initiatives announced in the second and fourth quarters. During the second quarter of 2001, we announced a reduction of our workforce in order to adjust to current economic conditions, while retaining the resources necessary to capitalize on growth opportunities when the economy recovers. During the fourth quarter of 2001, we announced additional reductions in our workforce, the consolidation and closing of offices, and the settlement of the former CEO's contract upon his retirement.

These actions affected 620 employees, or 25% of our global workforce at all levels, including 136 consultants, most of whom were in the core Executive Search business. The remainder was support staff in both Executive Search and LeadersOnline, and in the corporate departments. Nearly 60% of the layoffs were in North America, 35% were in Europe, and the rest were in Latin America and Asia Pacific. The workforce reduction affected virtually all practice groups.

The special charges include severance and other employee-related costs of $23.7 million, of which $7.8 million relates to the settlement of the former CEO's contract upon his retirement. In addition, the charges related to the consolidation and closing of approximately 20 offices are $28.1 million, of which $1.6 million is goodwill impairment related to the exit from South Africa and the Baltic region. The remainder of the charge, $1.4 million, is primarily for other cash expenses incurred as a result of the announced actions. The special charges are net of changes in estimates totaling $2.4 million.

Approximately $28.5 million of the 2001 special charges remains unpaid as of December 31, 2001. The majority of the amounts remaining to be paid relate to real estate leases. Cash disbursements lag the charge because charges related to disposing of leases are recorded currently, while the cash spending for each affected lease will continue until sub-leasing, or negotiations with the lessor to terminate the lease, are completed. Based on current estimates, approximately $15.2 million is expected to be paid in 2002, with the remaining $13.3 million payable in years subsequent to 2002.

In the first quarter of 2002 we expect to incur the remainder of the charges related to our announced initiatives, which we estimate to be approximately $15.0 million to $20.0 million, as we continue to review our cost base for further reductions in light of current market conditions.

Nonrecurring compensation charge. During the third quarter of 2000, we incurred a nonrecurring compensation charge of $12.2 million as a result of the decision to cancel a public offering of the common stock of LeadersOnline. This charge represented the remainder of the non-cash compensation charge related to the issuance of options by LeadersOnline, at a price below the deemed fair market value for accounting purposes, at the time of issuance.

Nonrecurring general and administrative charge. During the third quarter of 2000, we incurred a $1.8 million nonrecurring general and administrative charge due to the write-off of expenses related to the planning of LeadersOnline's initial public offering, which was cancelled in September 2000.

Operating income (loss). The following table summarizes our operating income (loss) for 2001 and 2000, respectively:

Consolidated operating income (loss)	2001	2000	Increase (decrease) in operating income
		(In millions)	
Executive Search	$ 28.0	$ 86.5	$(58.5)
LeadersOnline	0.8	(27.2)	28.0
Corporate	(33.5)	(30.3)	(3.2)
Operating income (loss) before special charges	(4.7)	29.1	(33.8)
Special charges	(53.2)	--	(53.2)
Consolidated operating income (loss)	$(57.9)	$ 29.1	$(87.0)

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

For 2001, our operating loss was $57.9 million, a decrease of $87.0 million compared to operating income of $29.1 million for 2000. The decrease is attributable to the special charges incurred in 2001 of $53.2 million, a decline in Executive Search operating income of $58.5 million and an increase in corporate expenses of $3.2 million, offset by an increase in LeadersOnline's operating income of $28.0 million.

For Executive Search, all geographic regions contributed to the $58.5 million decline in operating income. In North America, operating income was $23.2 million for 2001, a decrease of $39.9 million or 63.3% from $63.1 million in 2000, due to lower revenue coupled with higher fixed compensation and general and administrative expenses related to the increase in the number of search teams compared to 2000. This decline was partially offset by lower accruals for performance-based compensation for executive search consultants, management and support staff. Our Latin America region incurred an operating loss of $2.0 million, a decrease of $3.8 million from operating income of $1.8 million in 2000, due primarily to lower revenue levels. Europe's operating income was $4.9 million, a decrease of $11.9 million, or 71.0% from $16.8 million in 2000, due primarily to lower revenue coupled with higher spending on market development initiatives and fixed costs, offset by lower accruals for performance-based compensation for executive search consultants, management and support staff. In Asia Pacific, operating income was $1.9 million, a decrease of $2.9 million or 59.8% from $4.8 million in 2000, due primarily to lower revenue levels partially offset by lower compensation-related expenses.

For LeadersOnline, the operating income for 2001 of $0.8 million represents an increase of $28.0 million compared to the operating loss of $27.2 million for 2000. The following table summarizes some components of LeadersOnline's operating income (loss) for 2001 and 2000, respectively:

LeadersOnline operating income (loss)	2001	2000	Increase (decrease) in operating income
	(In millions)		
LeadersOnline operating income (loss) before nonrecurring expenses	$0.8	$(13.2)	$14.0
Nonrecurring compensation charges	--	(12.2)	12.2
Nonrecurring general and administrative charges	--	(1.8)	1.8
LeadersOnline operating income (loss)	$0.8	$(27.2)	$28.0

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

The increase of $14.0 million in LeadersOnline operating income before nonrecurring expenses reflects primarily the reduction of staff and marketing expenses in order to better align the cost structure with the revenue performance, and the increasing integration of LeadersOnline into the Executive Search business. The nonrecurring compensation and general and administrative charges are explained above in the paragraphs captioned "Nonrecurring compensation charge" and "Nonrecurring general and administrative charge."

Unallocated corporate expenses increased $3.2 million, or 10.6%, to $33.5 million in 2001 from $30.3 million in 2000, primarily due to higher costs related to our technology initiatives, outside fees for redesigning our global human resources and compensation programs, and several one-time costs to complete commitments made to various organizations by prior senior management.

The special charges incurred in 2001 of $53.2 million are explained above in the paragraph captioned "Special charges."

Net non-operating income (expense). The following table presents the components of our non-operating income (expense) for 2001 and 2000, respectively:

Consolidated non-operating income (expense)	2001	2000	Increase (decrease) in net non-operating income
		(In millions)	
Interest income	$ 5.5	$ 8.7	$ (3.2)
Interest expense	(0.2)	(0.2)	--
Realized gains on investments	1.0	7.4	(6.4)
Net unrealized loss on derivative instruments	(4.7)	--	(4.7)
Write-down of long-term investments	(14.8)	(0.2)	(14.6)
Other, net	(0.5)	0.4	(0.9)
Net non-operating income (expense)	$(13.6)	$16.1	$(29.7)

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

Our net non-operating expense for 2001 was $13.6 million, a decrease of $29.7 million compared to net non-operating income of $16.1 million in 2000. Interest income declined by $3.2 million, due primarily to lower levels of cash available for investment and lower yields on invested cash. Realized gains on investments, net of consultants' bonuses, and administrative and other costs were $1.0 million for 2001 compared to $7.4 million in 2000. The majority of these investments are warrants that were obtained as part of our warrant program, under which we receive warrants for equity securities in certain client companies, in addition to our normal cash fees, when executing searches for such clients.

The net unrealized loss on derivative instruments of $4.7 million relates to the valuation of a portion of our warrant portfolio in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its subsequent amendments which we adopted on January 1, 2001. The unrealized loss is net of consultants' bonuses, and administrative and other costs. Some of the warrants in our portfolio meet the definition of a derivative instrument under SFAS No. 133 and therefore subsequent changes in their fair value must be recorded in earnings rather than as a component of accumulated other comprehensive income. Each quarter's earnings are anticipated to be affected by the fluctuations in the fair value of these derivative instruments. The accounting for SFAS No. 133 is more fully described in Notes 1 and 9 in the Notes to Consolidated Financial Statements.

The write-down of long-term investments totaled $14.8 million in 2001 and $0.2 million in 2000. In the third quarter of 2001, we wrote off the remainder of our investment in Silicon Valley Internet Capital ("SVIC"), due to the economy's impact on the value of Internet infrastructure start-up companies. This resulted in a non-cash charge of $9.8 million. Combined with the $0.2 million write-down of SVIC which was recorded in 2000, this resulted in a write-down of the entire investment of $10.0 million in the two-year period. In addition, in the fourth quarter of 2001, we wrote down $5.0 million of our $10.0 million investment in ETF Group, a Europe-based global venture capital firm that helps emerging companies expand into international markets. We believe the value of the ETF Group's portfolio of companies has been affected by the downturn in the valuation of technology start-ups.

Cumulative effect of change in accounting principle. As a result of the adoption of SFAS No. 133 on January 1, 2001, we recorded, as a cumulative effect of accounting change, a transition adjustment to income of $4.5 million, net of consultants' bonuses, administrative and other costs, and taxes.

Income taxes. For 2001, excluding taxes related to the cumulative effect of accounting change, we had a benefit from income taxes of $24.1 million because of our pretax loss. For 2000, our income tax expense was $25.7 million. The effective tax rate for 2001 and 2000 was 33.7% and 57.0%, respectively. The income tax provision and related current and deferred tax balances are more fully described in Note 6 in the Notes to Consolidated Financial Statements.

2000 Compared to 1999

Revenue. Our consolidated revenue increased $178.6 million, or 42.9%, to $594.4 million for 2000 from $415.8 million for 1999, due to strong demand for our services across a number of industries and disciplines, especially the Financial Services, Technology and Consumer practice groups, and an increase in the number of executive search consultants, which resulted in an increase in the number of confirmed searches. Fees per search in Executive Search were higher as our strategic focus on working at the most senior level of executive search continued to drive performance. The increase in revenue was also due in part to the Merger that occurred on February 26, 1999. As a result of the Merger, the full twelve months of HSI revenue is included for 2000, whereas only approximately ten months of HSI revenue is included for 1999. Excluding HSI from both periods, revenue increased 40.7%.

Within Executive Search, our revenue grew in all of our geographic segments during 2000. In North America, our revenue increased $85.5 million, or 33.1%, to $343.4 million for 2000 from $257.9 million in 1999, with particular strength in the Financial Services, Technology, Consumer Products and Health Care practice groups. We opened offices in Denver, Austin, Emeryville, and Foster City during 2000. In Latin America, revenue rose 26.7% to $20.0 million for 2000 from $15.8 million in 1999, primarily due to the growth of our

Technology and Financial Services practice groups. We opened an office in Bogota, Colombia during 2000. In Europe, our revenue for 2000 increased $57.5 million, or 48.4%, to $176.4 million from $118.9 million in 1999, due primarily to an increase in the number of searches, with particular strength in the Financial Services practice group. In addition, the increase in Europe's revenue was partially due to the Merger. Excluding the effect of foreign currency translation into the U.S. dollar, revenue grew 68.1% in Europe. In Asia Pacific, revenue for 2000 increased 66.7% to $34.4 million from $20.6 million in 1999, primarily due to strong performance in the Financial Services and Technology practice groups and to revenue from acquisitions.

LeadersOnline generated $20.2 million of revenue in 2000 compared to $2.6 million of revenue in 1999 due to increased demand for our services as the business progressed in its start-up phase. LeadersOnline began generating revenue in the 1999 second quarter. During the year ended December 31, 2000, LeadersOnline entered into contracts for 485 new searches, with an average annual compensation level of $135,900 per placement.

Salaries and employee benefits. Our consolidated salaries and employee benefits increased $117.5 million, or 42.3%, to $395.1 million for 2000 from $277.6 million for 1999. As a percentage of revenue, salaries and employee benefits decreased slightly to 66.5% in 2000 from 66.8% in 1999. The improvement was primarily because, under our variable compensation structure, our consultants do not earn compensation on what is not collected and we wrote off a greater amount of bad debts in 2000 compared to 1999, particularly in the 2000 fourth quarter, due partially to failed dot-com start-ups. In addition, the salaries and employee benefits margin improved partially because we were able to leverage the fixed component of our salaries against higher revenue.

Nonrecurring compensation charges. During the third quarter of 2000, we incurred a nonrecurring compensation charge of $12.2 million as a result of our decision to retain proprietary control of LeadersOnline instead of proceeding with an initial public offering for the business. This charge represented the remainder of the non-cash compensation charge related to the issuance of options by LeadersOnline at a price below the deemed fair market value for accounting purposes at the time of issuance. During the third quarter of 1999, we incurred compensation-related merger costs of $2.0 million arising from the merger with Sullivan & Company, which consisted of a non-cash charge for accelerated vesting of an employee equity ownership program in place at Sullivan & Company. During the first quarter of 1999, we incurred a $12.4 million nonrecurring compensation charge related to the modification of the terms of the Mulder & Partner GmbH & Co. KG acquisition agreement.

General and administrative expenses. Our consolidated general and administrative expenses increased $52.1 million, or 50.0%, to $156.2 million for 2000 from $104.1 million for 1999. As a percentage of revenue, general and administrative expenses increased to 26.3% in 2000 from 25.0% in 1999. This percentage increase was primarily due to investment spending for LeadersOnline and for other complementary growth initiatives. In addition, depreciation expense was higher as we continued to invest in the growth of our company. Lastly, bad debt expense was higher due to increased write-offs of receivables in 2000 compared to 1999, particularly in the 2000 fourth quarter, due partially to failed dot-com start-ups.

Nonrecurring general and administrative charges. During the third quarter of 2000, we incurred a $1.8 million nonrecurring general and administrative charge as a result of the write-off of expenses related to the planning of the proposed initial public offering of LeadersOnline. During the third quarter of 1999, we incurred general and administrative-related costs of $0.8 million arising from the merger with Sullivan & Company. This consisted of transaction-related costs including legal, accounting and advisory fees.

Operating income. Our operating income increased $10.2 million, or 53.8%, to $29.1 million in 2000 from $18.9 million in 1999. Within Executive Search, operating income increased in all geographic segments, except Latin America, primarily because of higher revenue growth. In North America, our operating income increased $21.1 million, or 50.4%, to $63.1 million in 2000 from $42.0 million in 1999. In Latin America, operating income decreased $0.8 million, or 29.6%, to $1.8 million in 2000 from $2.6 million in 1999 as we made investments to expand in the region. In Europe, operating income in 2000 was $16.8 million, compared to an operating loss of $3.2 million in 1999. In Asia Pacific, operating income rose $2.1 million, or 78.3%, to $4.8 million in 2000 from $2.7 million in 1999. LeadersOnline reported an operating loss of $27.2 million in 2000, compared to an operating loss of $5.2 million in 1999 because of increased investment spending required to grow the business during its early stages of operation. Unallocated corporate expenses increased $10.3 million, or 51.2%, to $30.3 million in 2000 from $20.0 million in 1999, due primarily to building the infrastructure of a growing, public company, and investment spending in complementary growth initiatives.

Net non-operating income (expense). Our net non-operating income increased $13.5 million to $16.1 million for 2000 from $2.6 million for 1999. This increase was due to a $7.4 million gain, net of consultants' bonuses, and administrative and other costs, from the sale of equity securities obtained as part of our warrant program, under which we receive warrants for equity securities in certain client companies, in addition to our normal cash fee, when executing searches for such clients. Other items which increased net non-operating income included higher interest income arising from the investment of the net proceeds received from our initial public offering in April 1999 and our follow-on public offering in February 2000, and a decrease in interest expense due to a lower average debt balance.

Income taxes. For 2000 and 1999, our income tax expense was $25.7 million and $15.1 million, respectively. The effective tax rate for 2000 and 1999 was 57.0% and 72.3%, respectively. The income tax provision and related current and deferred tax balances are more fully described in Note 6 in the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

General. We continually evaluate our liquidity requirements, capital needs and availability of capital resources based on our operating needs. Historically, we have financed our operations with cash on hand and funds generated by operations together with the net proceeds of our initial public offering in April 1999 and follow-on public offering in February 2000.

We believe that the remainder of the net proceeds from our common stock offerings, together with funds expected to be generated from operations and funds available under our line of credit will be sufficient to finance our operations for the foreseeable future, as well as to finance the cash payments associated with our special charges. We historically have paid a portion of our bonuses in December and the remainder in March. Employee bonuses are accrued throughout the year and are based on our company's performance and the performance of the individual employee. Our ability to undertake acquisitions may depend, in part, on access to additional funds.

We do not have material off-balance sheet arrangements including special purpose entities, trading activities of non-exchange traded contracts, or transactions with related parties other than as concerns our investment in SVIC as discussed below and as disclosed in Note 9 in the Notes to Consolidated Financial Statements.

Cash and cash equivalent balances. We maintained cash and cash equivalents of $108.7 million at December 31, 2001. This represents a decrease of $76.1 million compared to the balance of $184.8 million at December 31, 2000. The decrease in the cash balances reflects a net use of cash for operating, financing and investing activities in 2001.

Cash flows related to operations. For 2001, cash used for operating activities was $20.5 million, resulting from our net loss of $42.9 million, adjusted for non-cash items and an increase in working capital. The increase in working capital is due primarily to an increase in prepaid income taxes, and lower compensation related accruals. The increase in prepaid income taxes is related to estimated taxes paid early in 2001, which we anticipate will be refunded because of the 2001 pretax loss, as well as the anticipated recovery of taxes from prior years.

For 2000, cash from operating activities contributed $89.4 million reflecting net income, non-cash expenses such as depreciation and amortization, stock-based compensation and the nonrecurring charges, as well as a decrease in working capital. For 1999, cash from operating activities contributed $54.8 million reflecting net income, non-cash expenses such as depreciation and amortization and nonrecurring charges, as well as a decrease in working capital.

Cash flows related to investing activities. Cash used for investing activities was $22.8 million for 2001, $46.0 million in 2000 and $14.1 million in 1999.

During 2001, we acquired three executive search firms for $7.8 million in cash, notes payable, restricted stock units and shares of our common stock. During 2000, we acquired six executive search firms for an aggregate of $19.4 million in cash and notes payable and an additional $5.1 million of our common stock. During 1999, we acquired one executive search firm and merged with Sullivan & Company and HSI for an aggregate of $1.5 million in cash and an additional $43.1 million in stock. These acquisitions resulted in a use of cash, net of cash acquired, of $2.4 million in 2001, $15.6 million in 2000, and $1.5 million in 1999.

Capital expenditures were $24.1 million, $17.9 million, and $21.5 million for 2001, 2000, and 1999 respectively. These expenditures were primarily for office furniture and fixtures, leasehold improvements, and computer equipment and software. We anticipate that our capital expenditures for 2002 will be approximately $15 million to $20 million.

Purchases of long-term investments totaled $23.4 million in 2000; of this amount $20.0 million was invested in SVIC and ETF Group. On June 29, 2000, we announced that we formed a strategic alliance with SVIC, a newly formed, San Francisco-based operating company that creates and provides operating support for Internet infrastructure companies. At the time of our investment in SVIC, Robert W. Shaw, a member of our Company's Board of Directors was Chief Executive Officer of SVIC and had approximately a 12% ownership interest in SVIC. Currently, Mr. Shaw is Executive Chairman and Director of SVIC. We are the preferred global executive search firm for SVIC's companies. We invested $10.0 million in SVIC's first round of financing during 2000. On October 26, 2000, we announced that we had entered into an alliance with and invested $10.0 million in ETF Group, a Europe-based global venture capital firm that helps emerging companies expand into international markets. We are the preferred global executive search firm for senior-level executives for ETF Group's portfolio companies. During 2001, we did not make any purchases of long-term investments. By December 31, 2001, we wrote down our entire investment in SVIC, incurring a non-cash charge totaling $10.0 million. In addition, we wrote down our investment in ETF Group, incurring a non-cash charge of $5.0 million. See also Note 9 in the Notes to Consolidated Financial Statements.

In 1999, we began selling equity securities obtained as part of our warrant program. As a result of the sale of these equity securities, we received cash, net of consultants' bonuses, and administrative and other costs, during 2001, 2000 and 1999, of $2.1 million, $7.4 million and $0.8 million, respectively.

Cash flows related to financing activities. For 2001, cash used in financing activities was $28.1 million, resulting primarily from repurchases of 1,445,000 shares of our common stock for $27.7 million. On March 16, 2001, we announced that our Board of Directors had authorized management to repurchase up to two million shares of our common stock over the subsequent two-year period.

Cash provided by financing activities was $64.8 million for 2000, resulting primarily from the net proceeds raised in a follow-on sale of our common stock and the private sales of LeadersOnline stock, partially offset by payments for the repurchase of LeadersOnline options and stock, and a payment on debt related to the acquisition in 1998 of Fenwick Partners, Inc., a Boston-based executive search firm. On April 10, 2000, LeadersOnline filed a registration statement with the Securities and Exchange Commission relating to a proposed initial public offering of its Class A common stock. In April 2000, LeadersOnline sold a total of 609,000 shares of its common stock to VerticalNet, Inc. and to certain of our employees for $5.00 per share. The net cash proceeds, after expenses, were $2.9 million and we recorded a gain in stockholders' equity of $2.7 million as a result of this transaction. In the third quarter of 2000, we made a decision to cancel the proposed initial public offering of LeadersOnline. As a result, LeadersOnline withdrew its registration statement with the Securities and Exchange Commission and paid $3.1 million to repurchase the stock sold to VerticalNet, Inc. and to certain of our employees. In addition, we paid $10.0 million to compensate option holders for the cancellation of their options.

Cash provided by financing activities was $25.3 million for 1999, resulting primarily from the net proceeds raised in the initial public offering of $51.8 million and the related sales of shares to employees pursuant to our employee incentive plans of $9.3 million, offset by net repayments under our lines of credit.

Line of credit. In December 2001 we replaced our existing $40.0 million revolving credit facility which expired on December 31, 2001, with a new $50.0 million revolving credit facility. The new facility will expire on December 28, 2004. There were no borrowings outstanding under either line of credit at December 31, 2001 or December 31, 2000.

Under the new facility, as amended on March 25, 2002, we may borrow U.S. dollars, euros, or other major currencies, as agreed with the banks. Borrowings under this facility bear interest at the existing ABR (Alternate Base Rate) or LIBOR, plus a margin as determined by certain tests of our financial condition. The new facility has certain financial covenants we must meet relating to consolidated EBITDA (defined as earnings before interest, taxes, depreciation and amortization, and designated special charges), fixed charges (defined as the ratio of EBITDA to interest and capital expenditures), net worth, working capital, and debt in relation to EBITDA. In addition, the new facility restricts our ability to pay dividends, make acquisitions and incur additional debt. At December 31, 2001 we were in compliance with these financial covenants, and no event of default existed.

Recently Issued Financial Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations." This statement requires that all business combinations must be accounted for using the purchase method of accounting. For intangible assets, the new rules state that an acquired asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible assets can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. This requirement may result in more intangible assets being separated from goodwill than generally occurs in practice today. The provisions of SFAS No. 141 apply to all business combinations initiated after June 30, 2001.

In June 2001, the FASB also issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under the new rules, goodwill and those intangible assets that have indefinite useful lives will no longer be amortized. Rather, these assets will be subject to at least an annual assessment for impairment by applying a fair-value-based test. The provisions of SFAS No. 142 shall be applied beginning January 1, 2002. Any resulting impairment charge will be recognized on January 1, 2002 as a cumulative effect of a change in accounting principle. Early adoption is not permitted. As a result of the adoption of SFAS No. 142, we expect that we will cease to record annual goodwill amortization of approximately $2.5 million in 2002. We continue to assess the impact of SFAS No. 142 as it relates to impairment of the goodwill and intangible assets included in our consolidated financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." This statement establishes a number of rules for the recognition, measurement and display of long-lived assets which are impaired and either held for sale or for continuing use within the business. In addition, the statement broadly expands the definition of a discontinued operation to individual reporting units or asset groupings for which identifiable cash flows exist. The recognition of discontinued operations will become more common as a result of these new guidelines. The statement is effective beginning January 1, 2002. We do not anticipate that adoption of SFAS No. 144 will have a material impact on our financial condition or results of operations.

Significant Accounting Policies

The preparation of our consolidated financial statements requires management to make certain estimates and assumptions required under generally accepted accounting principles which may differ from the actual results. The more significant areas requiring management estimates include revenue recognition, accruals for compensation and employee benefits, allowance for doubtful accounts, allowance for deferred tax assets and investment valuations. See Note 1 in the Notes to Consolidated Financial Statements.

Quarterly Comparisons

The following table sets forth certain financial information for each quarter of 2001 and 2000. The information is derived from our quarterly consolidated financial statements which are unaudited but which, in the opinion of management, have been prepared on the same basis as the audited consolidated financial statements included in this document and include all adjustments, consisting only of normal recurring items, necessary for the fair presentation of the information for the periods presented. The consolidated financial data shown below should be read in conjunction with the consolidated financial statements and notes thereto. The operating results for any quarter are not necessarily indicative of results for any future period.

	Quarter Ended							
	2001				2000			
	March 31(1)	June 30(2)	Sept. 30(3)	Dec. 31(4)	March 31	June 30	Sept. 30(5)	Dec. 31
	(in thousands)							
Revenue................	$139,268	$123,171	$104,618	$ 88,477	$131,936	$166,416	$148,081	$147,961
Operating income (loss)	7,849	(7,282)	(7,992)	(50,467)	3,726	13,220	652	11,474
Net income (loss)......	9,331	(3,970)	(13,007)	(35,281)	3,515	9,998	(2,428)	8,332

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(1) On January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its subsequent amendments. As a result, the Company recorded a transition adjustment to income of $4.5 million, net of consultants' bonuses, administrative and other costs, and taxes.

(2) During the second quarter of 2001, the Company announced a reduction of its workforce in order to adjust to current economic conditions, while retaining the resources necessary to capitalize on growth opportunities when the economy recovers. As a result of these workforce reductions, the Company incurred special charges in the second quarter of 2001 totaling $8.2 million.

(3) During the third quarter of 2001, the Company incurred special charges of $2.2 million related to the reduction in the Company's workforce which was announced in the second quarter of 2001.

(4) During the fourth quarter of 2001, the Company announced additional reductions of its workforce, the consolidation and closing of offices, and the settlement of the former CEO's contract upon his retirement. As a result of these announced actions, the Company incurred special charges totaling $42.8 million in the 2001 fourth quarter.

(5) During the third quarter of 2000, the Company incurred a $14.0 million nonrecurring charge as a result of the cancellation of LeadersOnline's proposed initial public offering.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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. Upon adoption of SFAS No. 133 on January 1, 2001, subsequent changes in the fair value of the derivatives are recorded in earnings. Each quarter's earnings are affected by the fluctuations in the fair value of these derivative instruments. We had no other derivative instruments at December 31, 2001.

Currency Market Risk. With our operations primarily in North America, Latin America, 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. For financial information by geographic segment, see Note 3 in the Notes to Consolidated Financial Statements. Historically, we have not experienced significant gains or losses on transactions involving U.S. dollars and other currencies. As the local currency of our subsidiaries has been designated as the functional currency, we are affected by the effect of translating the foreign currency financial statements into U.S. dollars.

Euro Conversion. On January 1, 1999, the currency exchange rates of twelve countries (Germany, France, the Netherlands, Austria, Italy, Spain, Finland, Ireland, Belgium, Portugal, Greece, and Luxembourg) were fixed among one another and each country adopted the euro as its currency. The euro bills and coinage were introduced on January 1, 2002. In conjunction with the conversion process to the euro, we took steps to convert our information technology systems to handle the new currency, and prepared for maintaining accounting, tax, and other business records in the new currency. Currently, the introduction and use of the euro has not had a material effect on our consolidated financial condition, cash flows, or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES (a Delaware corporation) as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heidrick & Struggles International, Inc. and Subsidiaries as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 7 to the financial statements, effective January 1, 2001, the Company changed its method of accounting for certain derivative instruments to conform with Statement of Financial Accounting Standards No. 133 and its subsequent amendments. As a result of the adoption, the Company recorded $4.5 million of income (after tax) as a cumulative effect of a change in accounting principle.

/s/ ARTHUR ANDERSEN LLP

Chicago, Illinois,
February 6, 2002

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share figures)

	December 31, 2001	December 31, 2000
Current assets:		
Cash and cash equivalents	$108,732	$184,836
Accounts receivable, less allowance for doubtful accounts of $13,749 and $16,452 at December 31, 2001 and 2000, respectively	54,241	106,334
Other receivables	5,870	7,357
Prepaid expenses	11,445	11,783
Prepaid income taxes	22,958	--
Deferred income taxes, net	36,605	26,071
Total current assets	239,851	336,381
Property and equipment:		
Leasehold improvements	32,640	23,904
Office furniture, fixtures and equipment	32,104	29,381
Computer equipment and software	44,596	39,192
	109,340	92,477
Accumulated depreciation and amortization	(54,976)	(39,817)
Property and equipment, net	54,364	52,660
Other assets:		
Assets designated for pension plan	16,624	16,506
Investments	14,836	43,582
Other assets	14,637	1,515
Goodwill and other intangibles, net	63,705	66,208
Deferred income taxes, net	7,089	6,792
Total other assets	116,891	134,603
Total assets	$411,106	$523,644

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share figures)

	December 31, 2001	December 31, 2000
Current liabilities:		
Current maturities of long-term debt	$ 2,480	$ 1,135
Accounts payable	13,391	10,051
Accrued expenses--		
Salaries and employee benefits	95,198	150,187
Payroll taxes	6,143	10,365
Other	29,970	27,888
Income taxes payable	--	16,415
Total current liabilities	147,182	216,041
Noncurrent liabilities:		
Long-term debt, less current maturities	1,959	610
Retirement and pension plans	19,092	19,316
Noncurrent portion of special charges	13,282	--
Total noncurrent liabilities	34,333	19,926
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, no shares issued at December 31, 2001 and 2000	--	--
Common stock, $.01 par value, 100,000,000 shares authorized, of which 18,040,779 and 19,373,286 shares were issued and outstanding at December 31, 2001 and 2000, respectively	195	194
Treasury stock at cost, 1,435,500 shares at December 31, 2001	(27,459)	--
Additional paid in capital	258,699	234,619
Retained earnings	13,935	56,862
Cumulative foreign currency translation adjustment	(5,881)	(1,879)
Unrealized gain on available-for-sale investments, net of tax	9	3,737
Deferred compensation	(9,907)	(5,856)
Total stockholders' equity	229,591	287,677
Total liabilities and stockholders' equity	$411,106	$523,644

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share figures)

	Year Ended December 31, 2001	2000	1999
Revenue	$455,534	$594,394	$415,847
Operating expenses:			
Salaries and employee benefits:			
Salaries and employee benefits	302,792	395,105	277,580
Nonrecurring compensation charges	--	12,222	14,448
General and administrative expenses:			
General and administrative expenses	157,404	156,242	104,144
Nonrecurring general and administrative charges	--	1,753	772
Special charges	53,230	--	--
Total operating expenses	513,426	565,322	396,944
Operating income (loss)	(57,892)	29,072	18,903
Non-operating income (expense):			
Interest income	5,523	8,723	3,513
Interest expense	(166)	(209)	(1,504)
Realized gains on investments	978	7,399	782
Net unrealized loss on derivative instruments	(4,681)	--	--
Write-down of long-term investments	(14,760)	(240)	--
Other, net	(517)	418	(152)
Net non-operating income (expense)	(13,623)	16,091	2,639
Equity in net loss of affiliate	--	--	(630)
Income (loss) before income taxes and cumulative effect of accounting change	(71,515)	45,163	20,912
Provision for (benefit from) income taxes	(24,094)	25,746	15,120
Net income (loss) before cumulative effect of accounting change	(47,421)	19,417	5,792
Cumulative effect of accounting change, net of tax	4,494	--	--
Net income (loss)	$(42,927)	$ 19,417	$ 5,792
Basic earnings (loss) per common share:			
Income (loss) before cumulative effect of accounting change	$ (2.52)	$ 1.02	$ 0.42
Cumulative effect of accounting change	0.24	--	--
Total basic earnings (loss) per common share	$ (2.28)	$ 1.02	$ 0.42
Diluted earnings (loss) per common share:			
Income (loss) before cumulative effect of accounting change	$ (2.52)	$ 0.95	$ 0.42
Cumulative effect of accounting change	0.24	--	--
Total diluted earnings (loss) per common share	$ (2.28)	$ 0.95	$ 0.42
Weighted average common shares outstanding:			
Basic	18,839	18,979	13,642
Diluted	18,839	20,389	13,889

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 1998		$ 82	$(16,471)	$ 28,561	$(12,769)	$ 597
Net income		--	--	--	5,792	--
Other comprehensive income (loss):						
Unrealized gain on available-for-sale investments, net of tax (pretax $8,294)		--	--	--	--	4,810
Foreign currency translation adjustment		--	--	--	--	498
Total comprehensive income (loss)		--	--	--	5,792	5,308
Treasury and common stock transactions:						
Stock issued for Merger		34	16,471	26,576	--	--
Stock issued in initial public offering		42	--	51,783	--	--
Stock issued to employees		7	--	14,408	--	--
Stock issued for termination of Sullivan & Company employee equity ownership plan		2	--	3,035	--	--
Release of book value restriction		--	--	--	44,422	--
Balance at December 31, 1999	16,663	167	--	124,363	37,445	5,905
Net income		--	--	--	19,417	--
Other comprehensive income (loss):						
Unrealized loss on available-for-sale investments, net of tax (pretax $4,885)		--	--	--	--	(2,759)
Foreign currency translation adjustment		--	--	--	--	(1,288)
Total comprehensive income (loss)		--	--	--	19,417	(4,047)
Common stock transactions:						
Stock issued for acquisitions	148	1	--	6,166	--	--
Stock issued to employees	64	1	--	2,997	--	--
Stock issued in follow-on public offering	2,458	25	--	76,160	--	--
Issuance of restricted stock units		--	--	20,225	--	--
Amortization of deferred compensation		--	--	--	--	--
Forfeitures of restricted stock units		--	--	(459)	--	--
Exercise of stock options	40	--	--	553	--	--
Gain on sale of subsidiary stock		--	--	2,711	--	--
Subsidiary stock repurchase and cancellation of options		--	--	1,903	--	--
Balance at December 31, 2000	19,373	194	--	234,619	56,862	1,858
Net loss before cumulative effect of accounting change		--	--	--	(47,421)	--
Other comprehensive income (loss):						
Unrealized loss on available-for-sale investments, net of tax (pretax $258)		--	--	--	--	(147)
Foreign currency translation adjustment		--	--	--	--	(4,002)
Cumulative effect of accounting change, net of tax (pretax $7,882)		--	--	--	4,494	(3,581)
Total comprehensive income (loss)		--	--	--	(42,927)	(7,730)
Treasury and common stock transactions:						
Issuance of restricted stock units		--	--	22,295	--	--
Amortization of deferred compensation		--	--	--	--	--
Forfeitures of restricted stock units		--	--	(885)	--	--
Issuance of stock for acquisitions	20	--	--	430	--	--
Exercise of stock options	49	1	--	675	--	--
Purchases of treasury stock, net of reissuances	(1,435)	--	(27,459)	68	--	--
Vesting of restricted stock units	34	--	--	(269)	--	--
Accrued compensation		--	--	1,766	--	--
Balance at December 31, 2001	18,041	$195	$(27,459)	$258,699	$ 13,935	$(5,872)

	Deferred Compensation	Total
Balance at December 31, 1998	$ --	$ --
Net income	--	5,792
Other comprehensive income (loss):		
Unrealized gain on available-for-sale investments, net of tax (pretax $8,294)	--	4,810
Foreign currency translation adjustment	--	498

Total comprehensive income (loss)	--	11,100
Treasury and common stock transactions:		
Stock issued for Merger	--	43,081
Stock issued in initial public offering	--	51,825
Stock issued to employees	--	14,415
Stock issued for termination of Sullivan & Company employee equity ownership plan	--	3,037
Release of book value restriction	--	44,422
Balance at December 31, 1999	--	167,880
Net income	--	19,417
Other comprehensive income (loss):		
Unrealized loss on available-for-sale investments, net of tax (pretax $4,885)	--	(2,759)
Foreign currency translation adjustment	--	(1,288)
Total comprehensive income (loss)	--	15,370
Common stock transactions:		
Stock issued for acquisitions	--	6,167
Stock issued to employees	--	2,998
Stock issued in follow-on public offering	--	76,185
Issuance of restricted stock units	(7,117)	13,108
Amortization of deferred compensation	1,222	1,222
Forfeitures of restricted stock units	39	(420)
Exercise of stock options	--	553
Gain on sale of subsidiary stock	--	2,711
Subsidiary stock repurchase and cancellation of options	--	1,903
Balance at December 31, 2000	(5,856)	287,677
Net loss before cumulative effect of accounting change	--	(47,421)
Other comprehensive income (loss):		
Unrealized loss on available-for-sale investments, net of tax (pretax $258)	--	(147)
Foreign currency translation adjustment	--	(4,002)
Cumulative effect of accounting change, net of tax (pretax $7,882)	--	913
Total comprehensive income (loss)	--	(50,657)
Treasury and common stock transactions:		
Issuance of restricted stock units	(8,127)	14,168
Amortization of deferred compensation	4,024	4,024
Forfeitures of restricted stock units	52	(833)
Issuance of stock for acquisitions	--	430
Exercise of stock options	--	676
Purchases of treasury stock, net of reissuances	--	(27,391)
Vesting of restricted stock units	--	(269)
Accrued compensation	--	1,766
Balance at December 31, 2001	$(9,907)	$229,591

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2001	2000	1999
Cash flows from operating activities			
Net income (loss)	$(42,927)	$ 19,417	$ 5,792
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	22,156	19,064	10,591
Loss on sale of property and equipment	901	538	63
Gain on sale of equity securities	(978)	(7,399)	(782)
Write-down of long-term investments	14,760	240	--
Deferred income taxes	(12,388)	(12,672)	2,004
Equity in net loss of affiliate	--	--	630
Minority interest in loss of consolidated subsidiary	--	(208)	--
Nonrecurring charges	--	13,975	15,220
Net unrealized loss on derivative instruments	4,681	--	--
Cumulative effect of accounting change, net of tax	(4,494)	--	--
Stock-based compensation expense, net	3,251	3,920	252
Special charges	53,230	--	--
Cash paid for special charges	(20,792)	--	--
Changes in assets and liabilities:			
Trade and other receivables	50,329	(26,435)	(23,326)
Accounts payable	3,337	1,341	1,058
Accrued expenses	(42,327)	75,175	37,860
Income taxes payable	(39,390)	5,720	6,930
Nonqualified retirement plan liability	(611)	923	1,936
Other assets and liabilities, net	(9,231)	(4,240)	(3,449)
Net cash provided by (used in) operating activities	(20,493)	89,359	54,779
Cash flows from investing activities			
Acquisitions, net of cash acquired	(2,400)	(15,648)	(1,466)
Purchases of securities for nonqualified retirement plan	--	(239)	(482)
Purchases of property and equipment	(24,059)	(17,885)	(21,519)
Purchases of long-term investments	--	(23,417)	--
Proceeds from sales of equity securities, net	2,147	7,399	782
Cash acquired in merger transaction with HSI	--	--	8,166
Other, net	1,558	3,754	445
Net cash used in investing activities	(22,754)	(46,036)	(14,074)
Cash flows from financing activities			
Proceeds from sales of common stock and treasury stock	--	76,185	61,158
Proceeds from sale of subsidiary stock	--	2,919	--
Proceeds from stock options exercised	676	553	--
Purchases of treasury stock	(27,721)	--	--
Repurchase of subsidiary options and stock	--	(13,018)	--
Proceeds from debt	--	--	17,700
Payments on debt	(1,015)	(1,822)	(53,512)
Net cash provided by (used in) financing activities	(28,060)	64,817	25,346
Effect of foreign currency exchange rates on cash and cash equivalents	(4,797)	(152)	(724)
Net increase (decrease) in cash and cash equivalents	(76,104)	107,988	65,327
Cash and cash equivalents:			
Beginning of period	184,836	76,848	11,521
End of period	$108,732	$184,836	$ 76,848
Supplemental disclosures of cash flow information			
Cash paid for--			
Interest	$ 172	$ 118	$ 1,626
Income taxes	26,962	33,400	10,172
Supplemental schedule of noncash financing and investing activities			
Unrealized gain (loss) on available-for-sale investments	$ (258)	$ (4,885)	$ 8,294
Debt from the acquisition of net assets	3,580	1,745	--
Issuance of stock for merger and acquisitions	430	5,084	43,081
Issuance of stock related to the Sullivan & Company equity ownership plan	--	--	3,037

Issuance of stock related to debt from acquisition	--	1,083	--

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All tables in thousands except per share figures)

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Heidrick & Struggles International, Inc. and Subsidiaries (the "Company") are engaged in providing executive-level and management search and leadership consulting services to clients on a retained basis. The Company operates principally in North America, Latin America, Europe and Asia Pacific.

Principles of Consolidation and Basis of Preparation

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

On February 26, 1999, Heidrick & Struggles, Inc. merged with and into Heidrick & Struggles International, Inc. (prior to the merger "HSI"), (the "Merger"). The resulting company was renamed Heidrick & Struggles International, Inc. See Note 2.

Financial data for all periods presented reflect the retroactive effect of the merger with Sullivan & Company ("Sullivan"), consummated in September 1999, and accounted for as a pooling of interests. See Note 2.

Critical Accounting Policies

The preparation of the Company's consolidated financial statements requires management to make certain estimates and assumptions required under generally accepted accounting principles, which may differ from the actual results. The more significant areas requiring management estimates include revenue recognition, accruals for compensation and employee benefits, allowance for doubtful accounts, allowance for deferred tax assets and investment valuations.

Revenue Recognition

Revenue from client services is recognized when such services are earned and realizable. Revenue consists of retainers and indirect expenses billed to clients. For each assignment, the Company and its client enter into a contract that outlines the general terms and conditions of the assignment. Typically, the Company is paid a retainer for its executive and management search services equal to approximately one-third of the estimated guaranteed first year compensation for the position to be filled. In addition, if the actual compensation of a placed candidate exceeds the estimated compensation, the Company often will be 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. The Company generally bills its clients for its retainer and indirect expenses in one-third increments over a three-month period commencing in the month of acceptance of the contract by its client.

We receive warrants for equity securities in our client companies, in addition to our cash fee, for services rendered for some searches. These warrants are carried at fair value and prior to January 1, 2001 the fair value of warrants was included in revenue upon receipt. On January 1, 2001, in conjunction with the adoption of Statement of Financial Accounting Standard (SFAS) No. 133, the fair value of warrants received is no longer recorded in revenue; instead, beginning January 1, 2001, the fair value is recorded in non-operating income as an unrealized gain, net of consultants' bonuses, and administrative and other costs.

Salaries and Employee Benefits

Salaries and employee benefits consist of compensation and benefits paid to consultants, executive officers, and administrative and support personnel, of which the most significant elements are salaries and annual performance-related bonuses. Other items in this category are expenses related to signing bonuses and minimum guaranteed bonuses (often incurred in connection with the hiring of new consultants), payroll taxes, profit sharing and retirement benefits, and employee insurance benefits.

Salaries and employee benefits are recognized on an accrual basis. Certain signing bonuses and minimum guaranteed compensation are amortized up to a maximum of three years, consistent with the terms associated with these payments.

Income Taxes

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

Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) by weighted average common shares outstanding for the year. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted. See Note 8 for the reconciliation of basic and diluted earnings per share.

Translation of Foreign Currencies

The translation of financial statements into U.S. dollars has been performed in accordance with SFAS No. 52, "Foreign Currency Translation." The local currency for all subsidiaries has been designated as the functional currency. Assets and liabilities have been translated into U.S. dollars at the current rate of exchange prevailing at the balance sheet date. Revenue and expenses have been translated at an average exchange rate for the period. Translation adjustments are reported as a component of accumulated other comprehensive income.

Cash and Cash Equivalents

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

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large number of clients and their dispersion across many different industries and geographies. At December 31, 2001, the Company had no significant concentrations of credit risk.

The allowance for doubtful accounts is developed based upon several factors including the client's credit quality, historical write-off experience and specific account analyses that project the ultimate amount to be collected on the account. As such, these factors may change over time causing the reserve level to adjust accordingly.

Property and Equipment

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

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

Depreciation for financial statement purposes for the years ended December 31, 2001, 2000 and 1999 totaled $17.6 million, $16.1 million and $8.8 million, respectively. Depreciation is calculated for tax purposes using accelerated methods, where applicable.

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

Investments

The Company's investments include warrants, equity securities and other investments. The Company's warrants and equity securities in publicly traded and private companies are carried at fair value. The other investments are held at cost and are regularly reviewed for any declines in fair value. These investments are more fully described in Note 9.

On January 1, 2001, the Company adopted SFAS No. 133 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. Some of the Company's warrants meet the definition of a derivative instrument under SFAS No. 133, and changes in their fair value during 2001 and prospectively are recorded in earnings, rather than as a component of accumulated other comprehensive income. Each quarter's earnings are affected by the fluctuations in the fair value of these derivative instruments. Upon a value event such as an initial public offering or acquisition, any equity securities arising from their exercise are accounted for as available-for-sale investments.

Prior to adopting SFAS No. 133 on January 1, 2001, unrealized gains and losses on warrants were excluded from earnings and were reported as a component of accumulated other comprehensive income. Upon a value event such as an initial public offering or acquisition, the warrants and any equity securities arising from their exercise were accounted for as available-for-sale investments.

Business Combinations, Goodwill and Other Intangibles

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations." This statement requires that all business combinations must be accounted for using the purchase method of accounting. For intangible assets, the new rules state that an acquired asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible assets can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. This requirement may result in more intangible assets being separated from goodwill than generally occurs in practice today. The provisions of SFAS No. 141 apply to all business combinations initiated after June 30, 2001.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under the new rule, goodwill and intangible assets that have indefinite useful lives will no longer be amortized. Rather, these assets will be subject to, at a minimum, an annual assessment for impairment by applying a fair-value-based test. Intangible assets that have finite useful lives will continue to be amortized over their useful lives. The provisions of SFAS No. 142 will be applied beginning January 1, 2002. As a result, any impairment will be recognized on January 1, 2002 as a cumulative effect of a change in accounting principle, and will be reflected in the first quarter 2002 financial statements.

For acquisitions prior to July 1, 2001, which were accounted for using the purchase method, goodwill and other intangible assets are stated at cost and amortized using the straight-line method over the estimated economic useful life. For acquisitions which occurred after June 30, 2001, the goodwill is not amortized in accordance with SFAS No. 142.

For purposes of preparing the consolidated financial statements through December 31, 2001, the Company continually evaluated whether subsequent events and circumstances occurred that indicated whether the remaining estimated useful life of goodwill or an intangible asset might have warranted revision, or whether the remaining balance of goodwill or an intangible asset may not have been recoverable. The Company evaluated the recoverability of goodwill and intangible assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicated that the future undiscounted cash flows of such assets would not be sufficient to recover the carrying value of such assets, the assets were adjusted to their fair values.

Reclassifications

Certain amounts in previously issued financial statements have been reclassified to conform to 2001 classifications.

2. Business Combinations

Acquisitions Accounted for Using the Purchase Method

During 2001, the Company completed three acquisitions of executive search firms. The total purchase price for acquisitions in 2001 was $7.8 million. Of this amount, $3.6 million was paid in cash, and the remainder represented restricted stock units and the Company's common stock valued at $0.6 million, and notes payable of $3.6 million. These acquisitions were accounted for using the purchase method and resulted in a preliminary allocation to goodwill and other intangible assets of $3.5 million.

During 2000, the Company completed a total of six acquisitions of executive search firms. The aggregate purchase price of these six acquisitions during 2000 was $24.5 million, consisting of the Company's stock valued at $5.1 million, notes payable of $1.7 million and cash of $17.7 million. These acquisitions were accounted for under the purchase method and resulted in an allocation to goodwill and other intangibles of $23.7 million.

During 1999, the Company purchased selected assets and liabilities of one executive search firm. The purchase price of $1.5 million was paid in cash.

These acquisitions did not have a material effect on the consolidated financial statements.

On February 26, 1999, Heidrick & Struggles, Inc. merged with and into HSI. For accounting purposes, Heidrick & Struggles, Inc. was treated as the acquiring company, and HSI was treated as the acquired company. The transaction was accounted for using purchase accounting and the excess purchase price was allocated to identifiable intangible assets and goodwill, as follows:

Asset Classification	Fair Value	Weighted Average Useful Life in Years
Intangible assets..	$12,478	17
Goodwill...........	$23,152	40

Results of operations of companies acquired using the purchase method are included in the consolidated financial statements from the date of acquisition.

Acquisition Accounted for Using the Pooling of Interests Method

On September 1, 1999, the Company completed its merger with Sullivan, which provided for the exchange of all the outstanding stock of Sullivan for 964,000 shares of the Company's common stock. Sullivan was an executive search firm that specialized in the financial services industry and had revenue of $12.8 million in 1998.

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

Certain key employees of Sullivan participated in a phantom stock plan, the shares of which vested over an eight-year period. Upon consummation of the merger with the Company, the vesting of the phantom shares accelerated to 100% and the phantom shares were converted into Sullivan shares, which were then exchanged for the Company's common stock.

3. Segment Information

The Company adjusted its segment reporting in 2001 to reflect changes in its internal management reporting structure, which included changes in the allocation of certain costs to operations and corporate expenses. Prior period segment disclosures were revised to reflect these changes. In 1999, 2000 and 2001, the Company operated principally through two lines of business: Executive Search and LeadersOnline. The Company breaks out revenue and operating income in its Executive Search business into two broad geographic segments: Americas and International. The Americas segment consists of North America and Latin America. The North America region includes the United States (except Miami) and Canada. The Latin America region includes Mexico and the rest of Latin America, as well as Miami, which serves as the gateway office to the region. The International segment consists of Europe (which includes Africa and the Middle East) and Asia Pacific.

	Year Ended December 31, 2001	2000	1999
Revenue:			
Americas			
North America	$236,540	$343,393	$257,942
Latin America	14,534	20,018	15,794
International			
Europe	155,684	176,431	118,880
Asia Pacific	27,174	34,361	20,614
Total Executive Search	433,932	574,203	413,230
LeadersOnline	21,602	20,191	2,617
Total	$455,534	$594,394	$415,847
Operating income (loss):			
Americas			
North America	$ 23,188	$ 63,111	$ 41,968
Latin America	(1,986)	1,837	2,611
International			
Europe	4,884	16,818	(3,167)
Asia Pacific	1,916	4,769	2,674
Total Executive Search	28,002	86,535	44,086
LeadersOnline	829	(27,178)	(5,157)
Corporate	(33,493)	(30,285)	(20,026)
Operating income (loss) before special charges	(4,662)	29,072	18,903
Special charges	(53,230)	--	--
Total	$(57,892)	$ 29,072	$ 18,903

	As of December 31, 2001	2000
Identifiable Assets:		
Americas		
North America	$ 87,774	$123,468
Latin America	8,506	10,424
International		
Europe	128,310	151,754
Asia Pacific	21,346	22,237
Total Executive Search	245,936	307,883
LeadersOnline	2,428	4,805
Corporate	162,742	210,956
Total	$411,106	$523,644

4. Special Charges Incurred in 2001

For 2001, the Company incurred special charges of $53.2 million related to initiatives announced in the second and fourth quarters of 2001. During the second quarter of 2001, the Company announced a reduction of its workforce in order to adjust to current economic conditions, while retaining the resources necessary to capitalize on growth opportunities when the economy recovers. During the fourth quarter of 2001, the Company announced additional reductions in its workforce, the consolidation and closing of offices, and the settlement of the former CEO's contract upon his retirement.

These actions affected 620 employees, or 25% of the firm's global workforce, including 136 consultants, most of whom were in the core Executive Search business. The remainder was support staff in both Executive Search and LeadersOnline, and in the corporate departments. Nearly 60% of the layoffs were in North America, 35% were in Europe, and the rest were in Latin America and Asia Pacific. The workforce reduction affected virtually all practice groups.

The special charges include severance and other employee-related costs of $23.7 million, of which $7.8 million relates to the settlement of the former CEO's contract upon his retirement. In addition, the charges related to the consolidation and closing of approximately 20 offices are $28.1 million, of which $1.6 million is goodwill impairment related to the Company's exit from South Africa and the Baltic region. The remainder of the charge, $1.4 million, is primarily for other cash expenses incurred as a result of the announced actions. The special charges are net of changes in estimates totaling $2.4 million.

The special charges by segment are as follows: North America $20.5 million, Latin America $1.0 million, Europe $19.7 million, Asia Pacific $0.8 million, LeadersOnline $1.3 million and Corporate $9.9 million. In the Consolidated Statements of Income, the charges have been segregated on a separate line titled, "Special charges." For segment reporting, the special charges have been segregated and, therefore, do not impact the year-to-year comparisons. The special charges for severance, office closings, and other related costs were established in accordance with Emerging Issues Task Force No. 94-3 and Staff Accounting Bulletin No. 100.

The table below outlines the 2001 special charges along with related cash payments, non-cash charges, and amounts unpaid as of December 31, 2001. The majority of the amounts remaining to be paid as of December 31, 2001 relate to real estate leases which require cash payments until sub-leasing, or negotiations with the lessor to terminate the lease, are completed. Based on current estimates, approximately $15.2 million is expected to be paid in 2002, with the remainder payable in years subsequent to 2002.

	Severance and Other Employee-Related Costs	Office Closings	Other Cash Charges	Total
Total special charges	$ 23,740	$28,067	$ 1,423	$ 53,230
Cash payments	(18,759)	(877)	(1,156)	(20,792)
Non-cash charges	--	(3,908)	--	(3,908)
Special charges unpaid as of December 31, 2001	$ 4,981	$23,282	$ 267	$ 28,530

5. 2000 and 1999 Nonrecurring Charges

On April 10, 2000, LeadersOnline filed a registration statement with the Securities and Exchange Commission relating to a proposed initial public offering of its common stock. In the third quarter of 2000, the Company decided to retain proprietary control of LeadersOnline, and its Internet-enhanced recruiting methods.

As a result, LeadersOnline withdrew its registration statement with the Securities and Exchange Commission relating to the proposed initial public offering. In connection with the withdrawal of the registration statement, the Company recorded nonrecurring charges in the third quarter of 2000. These included a non-cash compensation charge of $12.2 million, which represents the remainder of a $14.9 million non-cash compensation charge related to the issuance of options by LeadersOnline at a price below the deemed fair market value, for accounting purposes, at the time of issuance. The difference of $2.7 million had been previously recorded as a recurring charge over the first three quarters of 2000. The resulting amount of $14.9 million was recorded to additional paid in capital. Also, a $1.8 million charge was recorded for the write-off of expenses related to planning the proposed initial public offering.

During 1999, in connection with the acquisition of Sullivan, the Company recorded costs of $2.8 million. The costs consisted of a $2.0 million non-cash charge for accelerated vesting of an employee equity ownership plan in place at Sullivan and $0.8 million of transaction-related costs, including legal, accounting and advisory fees.

During the first quarter of 1999, the Company incurred a nonrecurring charge of $12.4 million. This charge was the result of the Company's agreement to modify the terms of the Mulder & Partner GmbH & Co. KG ("Mulder") acquisition agreement, including the termination of all employment contingencies.

HSI acquired 100% of Mulder on October 1, 1997, for a combination of cash and 32,000 shares of HSI common stock. On October 1, 1997, HSI delivered 4,000 shares of HSI common stock, paid $8.7 million to the partners of Mulder and incurred $0.3 million of associated transaction costs. Under the original Mulder acquisition agreement an additional $5.2 million (plus interest at an annual rate of 4%) was due to the partners of Mulder in five equal annual installments, the first of which was paid on October 1, 1998. The remaining shares were to be issued in four annual installments beginning January 1, 1999. Because the total purchase price was contingent upon the continued employment of the Mulder consultants, the cost of the acquisition was accounted for as compensation expense to be recognized over a five-year period beginning October 1, 1997. During 1999, the Mulder acquisition agreement was amended such that the remaining cash due (plus interest) of $4.3 million was paid, 428,452 shares (reflecting a split of 15.8217 for 1) of the Company's common stock (which were valued, based upon the estimated fair market value of the Company, at $5.2 million) were issued to such Mulder partners, and $2.9 million of deferred compensation assets were written off resulting in a total compensation charge of $12.4 million. All employment contingencies relating to the Mulder consultants were eliminated.

6. Income Taxes

The sources of earnings (loss) before income taxes are as follows:

	Years Ended December 31,		
	2001	2000	1999
United States	$(71,561)	$17,384	$16,725
Foreign	46	27,779	4,187
Subtotal	(71,515)	45,163	20,912
United States--cumulative effect of accounting change	7,882	--	--
Total	$(63,633)	$45,163	$20,912

The provision for (benefit from) income taxes is as follows:

	Years Ended December 31,		
	2001	2000	1999
Current--			
Federal	$(14,041)	$ 18,159	$ 6,811
State	(2,752)	6,515	2,014
Foreign	6,919	13,678	4,291
Deferred	(14,220)	(12,606)	2,004
Subtotal	(24,094)	25,746	15,120
Deferred--cumulative effect of accounting change	3,388	--	--
Total	$(20,706)	$ 25,746	$15,120

A reconciliation of income tax expense for the years ended December 31, 2001, 2000 and 1999, respectively, to income taxes at the statutory U.S. federal income tax rate of 35% for 2001, 35% for 2000, and 34% for 1999, is as follows:

	2001	2000	1999
Income tax expense (benefit) at the statutory U.S. federal rate	$(22,271)	$15,807	$ 7,110
Increase due to--			
State income taxes (benefit), net of federal tax benefit	(3,690)	3,075	1,329
Nondeductible expenses	1,581	6,865	5,852
Foreign taxes at rates different from the statutory U.S. federal tax rate	3,913	678	807
Other, net	(239)	(679)	22
Provision for (benefit from) income taxes	$(20,706)	$25,746	$15,120

The deferred tax amounts mentioned above have been classified in the consolidated balance sheets as of December 31, 2001 and 2000, as follows:

	2001	2000
Current deferred tax assets	$36,769	$26,242
Current deferred tax liabilities	(164)	(171)
Net current deferred tax asset	36,605	26,071
Noncurrent deferred tax assets	14,640	15,729
Noncurrent deferred tax liabilities	(7,551)	(8,937)
Net noncurrent deferred tax asset	7,089	6,792
Net deferred income tax asset	$43,694	$32,863

The deferred tax assets and liabilities consist of the following components as of December 31, 2001 and 2000:

	2001	2000
Deferred tax assets--		
Receivable allowances	$ 4,894	$ 5,716
Accrued vacations	2,119	1,247
Accrued bonuses	15,689	20,521
Liability for nonqualified retirement plans	4,113	4,881
Other accrued expenses	5,456	4,992
Leasehold improvements and equipment	762	2,149
Foreign net operating loss carryforwards	5,242	581
Capital loss carryback/carryforwards	3,600	--
Valuation reserves	2,050	--
Goodwill	1,856	1,703
Business restructuring reserves	10,555	--
Cumulative translation adjustment	--	762
	56,336	42,552
Valuation allowance	(4,927)	(581)
Net deferred tax assets	51,409	41,971
Deferred tax liabilities--		
System development costs	(3,802)	(5,416)
Unrealized gain on available-for-sale investments	(3,845)	(2,597)
Other	(68)	(1,095)
Net deferred tax liabilities	(7,715)	(9,108)
Net deferred income tax asset	$43,694	$32,863

Management believes that the net deferred tax assets are realizable based on expected future profitability of the Company. The increase in the valuation allowance on deferred tax assets in 2001 is due to the net pretax loss during 2001.

7. Cumulative Effect of Change in Accounting Principle

As a result of the adoption of SFAS No. 133 on January 1, 2001, the Company recorded, as a cumulative effect of accounting change, a transition adjustment to income of $4.5 million, net of consultants' bonuses, administrative and other costs, and taxes.

8. Basic and Diluted Earnings Per Common Share

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

	Year Ended December 31,		
	2001	2000	1999
Basic earnings (loss) per common share			
Income (loss) available to common stockholders.....	$(42,927)	$19,417	$ 5,792
Weighted average common shares outstanding.........	18,839	18,979	13,642
Basic earnings (loss) per common share.............	$ (2.28)	$ 1.02	$ 0.42
Diluted earnings (loss) per common share			
Income (loss) available to common stockholders.....	$(42,927)	$19,417	$ 5,792
Weighted average common shares outstanding.........	18,839	18,979	13,642
Dilutive common shares.............................	--	1,410	247
Weighted average diluted common shares outstanding.	18,839	20,389	13,889
Diluted earnings (loss) per common share...........	$ (2.28)	$ 0.95	$ 0.42

The share amounts in the table above reflect a 15.8217-for-1 stock split approved by the Board of Directors on March 26, 1999. In February 1999, the Board of Directors adopted, and the stockholders approved, amendments to the Certificate of Incorporation to change the par value, increase the number of authorized shares of common stock to 100 million shares and to authorize a class of preferred stock of 10 million shares. The consolidated financial statements, including the number of shares of common stock authorized, issued and outstanding, have been retroactively restated for the effect of this split and the amendments to the Certificate of Incorporation.

9. Investments

The Company had investments of $14.8 million and $43.6 million at December 31, 2001 and 2000, respectively. Investments include the fair value of the Company's warrants and equity securities in publicly traded and private companies and other investments. The fair value of warrants and equity securities in publicly traded and private companies was $9.8 million and $21.6 million at December 31, 2001 and 2000, respectively. Other investments are accounted for using the cost method and the fair value of other investments was $5.0 million and $22.0 million at December 31, 2001 and 2000, respectively.

Realized gains from the sale of equity securities, net of consultants' bonuses, and administrative and other costs, were $1.0 million, $7.4 million and $0.8 million for the years ended December 31, 2001, 2000 and 1999, respectively. The unrealized loss for the year ended December 31, 2001 from the portion of the warrant portfolio deemed to be derivative instruments was $4.7 million, net of consultants' bonuses, and administrative and other costs. This loss relates to the valuation of a portion of our warrant portfolio in accordance with SFAS No. 133. (See Note 1). At December 31, 2000, prior to the adoption of SFAS No. 133, the unrealized gains, which were accounted for as a component of accumulated other comprehensive income, and which related to warrants and equity securities, were $3.7 million, net of consultants bonuses, administrative and other costs, and taxes.

On October 26, 2000, the Company announced that it entered into an alliance with and invested $10.0 million in ETF Group, a Europe-based global venture capital firm that helps emerging companies expand into international markets. On June 29, 2000, the Company announced that it had formed a strategic alliance with Silicon Valley Internet Capital ("SVIC"), a newly formed, San Francisco-based company that creates and provides operating support for Internet infrastructure companies. The Company invested $10.0 million in SVIC's first round of financing. At the time of our investment in SVIC, Robert W. Shaw, a member of the Company's Board of Directors, was Chief Executive Officer of SVIC and had approximately a 12% ownership interest in SVIC. During 2001, the Company wrote down its remaining investment in SVIC of $9.8 million and also wrote down $5.0 million of its investment in ETF Group, incurring total charges of $14.8 million. During the fourth quarter of 2000, the Company recorded a write-down of $0.2 million related to its investment in SVIC. At December 31, 2001 the fair value of ETF Group was deemed to be $5.0 million.

10. Other Assets

The Company had other assets of $14.6 million and $1.5 million at December 31, 2001 and 2000, respectively. Other assets include deferred compensation related to acquisitions, other deferred compensation including deferred minimum guaranteed compensation, the noncurrent portion of prepaid rent, and other noncurrent assets.

11. Goodwill and Other Intangibles

At December 31, 2001 and 2000, goodwill and other intangible assets consist of the following:

	2001	2000
Goodwill and other intangibles.....	$ 74,086	$72,670
Accumulated amortization...........	(10,381)	(6,462)
Goodwill and other intangibles, net	$ 63,705	$66,208

Amortization expense for 2001, 2000 and 1999 totaled $4.5 million, $3.0 million, and $1.8 million, respectively. As a result of adopting SFAS No. 142, we expect that we will cease to record annual goodwill amortization of approximately $2.5 million in 2002.

As a result of the Company's actions that were announced in the fourth quarter of 2001, the Company wrote off approximately $1.6 million of goodwill related to its operations in South Africa and the Baltics. This write-off is included as part of the special charges recognized in 2001. See Note 4 for additional information regarding special charges. There were no adjustments to the carrying value of goodwill or intangible assets during 2000 or 1999.

12. Line of Credit

In December 2001, the Company replaced the existing $40.0 million revolving credit facility which expired on December 31, 2001, with a new $50.0 million revolving credit facility. The new facility was amended on March 25, 2002 and will expire on December 28, 2004. There were no borrowings outstanding under either line of credit at December 31, 2001 or 2000. The Company must pay a facility fee even if no portion of the line of credit is used.

Under the new facility, the Company may borrow U.S. dollars, euros, or other major currencies, as agreed with the banks. Borrowings under this facility bear interest at the existing ABR (Alternate Base Rate) or LIBOR, plus a margin as determined by certain tests of our financial condition. The new facility has certain financial covenants we must meet relating to consolidated EBITDA (defined as earnings before interest, taxes, depreciation and amortization, and designated special charges), fixed charges (defined as the relationship of EBITDA to interest and capital expenditures), net worth, working capital and debt in relation to EBITDA. In addition, the new facility restricts our ability to pay dividends, make acquisitions and incur additional debt.

As of December 31, 2001 and 2000, the Company was in compliance with all of its financial covenants, and no event of default existed.

13. Long-Term Debt

At December 31, 2001 and 2000, long-term debt consists of notes payable due as a result of acquisitions. The future principal payments on debt are as follows:

Year ended December 31,	
2002	$2,480
2003	1,579
2004	380
2005	--
	$4,439

The fair value of debt based on current rates for similar debt is estimated to be $4.1 million at December 31, 2001.

14. Stock Compensation Plans

In 1998, the Company adopted the 1998 Heidrick & Struggles GlobalShare Program I and the 1998 Heidrick & Struggles GlobalShare Program II (collectively the "Plan"). The Plan serves as a means to attract, reward, and retain selected key employees, outside directors and independent contractors. The Plan is administered by the Compensation Committee of the Board of Directors. Awards may be in the form of options, which may be incentive stock options or non-qualified stock options; stock appreciation rights, or other awards, such as restricted stock units, that are valued based upon the fair market value of shares. Awards may be paid in shares, cash or a combination thereof. No options can be for a term of greater than ten years and the option price per share of common stock cannot be less than 100% of the fair market value of the Company's common stock on the date of grant.

The maximum number of underlying shares of common stock reserved for issuance under the Plan is based on a formula which shall not exceed an aggregate amount equal to forty percent (40%) of the highest number of shares of the Company's common stock which are issued and outstanding from time to time during the term of the Plan, provided, however, that in no event will the sum of the total number of shares authorized or reserved for issuance upon the exercise or issuance of all awards granted under the Plan plus the total amount of the Company's issued and outstanding shares of common stock exceed the number of shares of common stock authorized for issuance under the Company's Amended and Restated Certificate of Incorporation.

Under the Plan, the maximum number of shares of common stock for which awards may be granted during a calendar year to any participant is 275,000. The maximum amount of a performance-based award to any participant with respect to a calendar year of the Company is $2.0 million.

In 2000, the Company adopted the Heidrick & Struggles International, Inc. Restricted Stock Unit Plan (the "RSU Plan"). The RSU Plan is designed to reward certain employees and independent contractors of the Company who hold the internal title of Partner or Senior Partner through the issuance of restricted stock units, which upon vesting, are immediately convertible into shares of the Company's common stock at a ratio of 1:1.

The total number of restricted stock units and the underlying shares of the Company's common stock which may be issued or delivered under the RSU Plan shall be determined by the Compensation Committee of the Board of Directors on an annual basis. Under both the Plan and the RSU Plan, the maximum number of shares of common stock reserved for issuance are subject to adjustment for certain anti-dilution provisions.

Under the RSU Plan, restricted stock units cliff vest at 3 years from the date of grant. Under the Plan, the restricted stock units have vesting periods ranging from ratable vesting over a 3 to 5 year period to a cliff vest of 3 to 5 years from the date of grant. The deferred compensation expense related to restricted stock units is amortized to expense on a straight-line basis over the vesting period and is recorded in stockholders' equity. Total deferred compensation expense amortized for restricted stock units for 2001 and 2000 was $4.0 million and $1.2 million, respectively.

During 2001 and 2000, the Company granted 758,510 and 469,833 restricted stock units, respectively, to certain of its employees under both the Plan and the RSU Plan. During 2001, 53,800 restricted stock units converted into common stock. During 2001 and 2000, respectively, 21,034 and 11,292 restricted stock units were forfeited. At December 31, 2001 and 2000 respectively, 1,142,217 and 458,541 units were outstanding.

Stock option activity for the years ended December 31, 2001, 2000 and 1999 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding on December 31, 1998	--	--
Granted	1,544,282	$14.00
Forfeited	(58,781)	14.00
Outstanding on December 31, 1999	1,485,501	14.00
Granted	1,388,950	43.81
Exercised	(39,865)	14.00
Forfeited	(94,347)	14.73
Outstanding on December 31, 2000	2,740,239	28.85
Granted	950,677	33.98
Exercised	(48,644)	14.00
Forfeited	(184,803)	25.91
Outstanding on December 31, 2001	3,457,469	$30.62

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has elected to account for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and all subsequent amendments and clarifications. Under this method, no compensation cost is recognized for stock option awards granted at or above fair market value except for a limited number of individuals that are considered non-employees. Had compensation expense for the Plan been determined based upon fair value at the grant date for all awards under the Plan in accordance with SFAS No. 123, the Company's proforma net earnings and basic and diluted earnings per share would have been:

	Year Ended December 31,		
	2001	2000	1999
Net earnings (loss):			
As reported	$(42,927)	$19,417	$5,792
Proforma	(52,175)	15,613	4,700
Basic earnings (loss) per share:			
As reported	$ (2.28)	$ 1.02	$ 0.42
Proforma	(2.77)	0.82	0.34
Diluted earnings (loss) per share:			
As reported	$ (2.28)	$ 0.95	$ 0.42
Proforma	(2.77)	0.77	0.34

The weighted-average fair value of options granted during 2001, 2000 and 1999 estimated on the date of grant using the Black-Scholes option pricing model was $20.50, $23.99 and $8.56, respectively. The fair value of 2001, 2000 and 1999 options granted is estimated on the date of grant using the following assumptions: average risk-free rate of 4.9%, 6.2% and 5.3%, dividend yield of 0%, 0% and 0%, expected volatility of 61.3%, 54.3% and 54.3%, and expected option life of 6.2, 5.4 and 7.0 years, respectively.

The following table summarizes information about stock options at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$14.00-$14.00	1,227,049	6.21	$14.00	288,803	$14.00
$14.68-$35.13	917,238	8.02	33.93	1,729	35.13
$36.65-$44.88	998,182	5.55	41.07	257,384	42.06
$45.44-$57.00	315,000	3.12	52.60	42,500	48.84
$14.00-$57.00	3,457,469	6.22	$30.62	590,416	$28.80

15. Employee Benefit Plans

Qualified Retirement Plan

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

The Company matched employee contributions on a two-for-one basis up to a maximum contribution of $2,000 per participant for each of the years ended December 31, 2001, 2000 and 1999. The Company also has the option of making discretionary contributions. For the years ended December 31, 2000 and 1999, the Company elected to contribute to each eligible participant a sum equal to 3.03% of the participant's total compensation (as defined) and an additional 3.03% of the participant's compensation above the Social Security taxable wage base up to the maximum amount allowed by the Internal Revenue Code. No discretionary contribution was made for the year ended December 31, 2001.

The plan allows participants the option of having their account balances or portions thereof invested in the Company's common stock. At December 31, 2001 and 2000, respectively, the plan held 1,435,692 and 4,265,809 shares of the Company's common stock. The plan provides that forfeitures will be used to reduce the Company's contributions. Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the plan. Plan expense for the years ended December 31, 2001, 2000 and 1999 was $1.2 million, $4.5 million, and $3.2 million, respectively.

Nonqualified Retirement Plan

The Company has a nonqualified retirement plan for employees in the United States classified as senior associates. This plan provides for discretionary employer contributions. The plan expense for the years ended December 31, 2001, 2000, and 1999 was $0.4 million, $0.5 million, and $0.5 million, respectively. The liability for this retirement plan at December 31, 2001 and 2000, respectively, was $1.4 million and $1.6 million.

16. Pension Plans and Life Insurance Contract

The Company maintains a pension plan for certain employees in Germany. The pensions are individually fixed euro amounts depending on the function and the pensionable years of service of the employee. The following provides a reconciliation of the benefit obligation:

	2001	2000
Change in benefit obligation:		
Benefit obligation at January 1,	$18,214	$18,842
Service cost	574	693
Interest cost	1,044	1,072
Actuarial (gain) loss	471	(482)
Benefits paid	(473)	(847)
Translation difference	(646)	(1,064)
Benefit obligation at December 31,	19,184	18,214
Unrecognized net loss	(1,475)	(499)
Net amount recognized	$17,709	$17,715
Unfunded status of the plan	$19,184	$18,214
Unrecognized net loss	(1,475)	(499)
Accrued benefit cost	$17,709	$17,715
Assumptions as of December 31:		
Discount rate (weighted average)	6.0%	6.5%
Rate of compensation increase	4.0%	4.0%
Components of net periodic benefit cost:		
Service cost	$ 574	$ 693
Interest cost	1,044	1,072
Net periodic benefit cost	$ 1,618	$ 1,765

The pension benefits are fully reinsured within a group insurance contract with Victoria Lebensversicherung AG. The surrender value at December 31, 2001 and 2000 was $16.6 million and $16.5 million, respectively. Because the reinsurance is not segregated from the Company's assets for purposes of SFAS No. 87, "Employers' Accounting for Pensions," the reinsurance is not regarded as an asset with respect to the pension plan. This pension plan was included in the consolidated financial statements effective with the Merger.

During 2000, the Company established a defined benefit pension plan for the former CEO. The plan was not funded as of December 31, 2000. The following provides a reconciliation of the benefit obligation as of December 31, 2000:

	2000
Change in benefit obligation:	
Benefit obligation at January 1,	$ --
Service cost	1,127
Interest cost	338
Actuarial loss	--
Benefit obligation at December 31,	1,465
Unrecognized net loss	--
Accrued benefit cost	$1,465
Assumptions as of December 31:	
Discount rate (weighted average)	7.0%
Rate of compensation increase	--
Components of net periodic benefit cost:	
Service cost	$1,127
Interest cost	338
Net periodic benefit cost	$1,465

During 2001 this defined benefit pension plan was eliminated as part of the settlement of the former CEO's contract upon his retirement.

17. Commitments and Contingencies

Operating Leases

The Company leases office space in various buildings for its own use. The terms of these operating leases provide that the Company pays base rent and a share of increases in operating expenses and real estate taxes in excess of defined amounts. These leases expire at various dates through 2020. The Company also leases computer equipment which is accounted for as an operating lease.

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

Years ending December 31,	
2002	$ 25,380
2003	23,471
2004	20,041
2005	15,819
2006	12,957
Thereafter	44,309
	$141,977

Rent expense under operating leases for the years ended December 31, 2001, 2000, and 1999 was $41.6 million, $31.9 million, and $21.1 million, respectively. The minimum future lease payments indicated above exclude amounts due for vacated properties that are recorded as part of the 2001 special charges. See Note 4 for more information on lease obligations related to special charges incurred during 2001.

Litigation

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

18. Public Offerings

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

On April 30, 1999, the Company completed the initial public offering of an aggregate of 4.2 million shares of common stock at $14.00 per share, of which 3.7 million shares were offered by the Company and 500,000 shares were offered by selling stockholders. In addition, on June 1, 1999, the Company completed the offering of an additional 505,000 shares of common stock which arose from the exercise of a portion of the over-allotment option granted to certain underwriters of the initial public offering. These offerings resulted in net proceeds (after deducting the underwriting discount and estimated offering expenses) of $51.8 million to the Company and $6.5 million to the selling stockholders. The Company did not receive any of the proceeds from the sale by the selling stockholders.

The Company's mandatory redemption feature on its common stock terminated as a result of the completion of the initial public offering.

On February 9, 2000, the Company completed a follow-on public offering under a Registration Statement on Form S-1 effective February 3, 2000 (File No. 333-94017) of an aggregate of 3,450,000 shares of common stock at $33.00 per share, which included 450,000 shares from the exercise of the over-allotment option granted to certain underwriters of the offering. The Company offered 2,458,306 shares and the selling stockholders offered 991,694 shares. This offering resulted in net proceeds (after deducting the underwriting discount and offering expenses) of $76.2 million to the Company and $31.0 million to the selling stockholders. The Company did not receive any of the proceeds from the sale by selling stockholders. The Company has used the net proceeds from this offering for general corporate purposes including the funding of LeadersOnline and other growth initiatives, hiring of additional executive search consultants, expanding its technology infrastructure and funding acquisitions.

19. Sale and Repurchase of Subsidiary Stock

During the second quarter of 2000, LeadersOnline sold a total of 609,000 shares of its common stock to VerticalNet, Inc. and to certain employees of the Company. The common stock was sold for $5 per share and resulted in net cash proceeds, after expenses, of $2.9 million to LeadersOnline. The Company's ownership interest in LeadersOnline was diluted from 100% to 96.4% as a result of these transactions. The resulting gain to the Company of $2.7 million was recorded to additional paid in capital.

As a result of the decision to retain proprietary control of LeadersOnline and the cancellation of its proposed initial public offering in September 2000, the Company paid $3.1 million to repurchase the stock sold to VerticalNet, Inc. and to certain Company employees. In addition, the Company paid $10.0 million to compensate option holders for the cancellation of their options. These payments were charged to additional paid in capital. See Note 5.

20. Investment in HSI

Prior to February 26, 1999, the Company had an investment in HSI, which was accounted for under the equity method. Based on an agreement between the Company and HSI, effective January 1, 1995, 65% of the net income of HSI was allocated to Class A shares and 35% of the net income of HSI was allocated to Class B shares, regardless of the exact percentage of each class holding. The Company owned all Class B shares of HSI. As a result of this investment, the Company recorded equity in net loss of affiliates of $0.6 million for 1999.

21. Hedging Transaction

During 1999, the Company entered into a collar agreement to hedge the impact of market value changes of an equity security. Collars consist of the sale of call options along with a corresponding purchase of put options, with the effect of establishing the highest and lowest prices at which the equity securities will be sold during a certain time period. The collar had been designated and was effective as a hedge of the equity security. Unrealized gains and losses on both the equity security and the collar were recorded in equity and comprehensive income. When realized, gains and losses on the equity security and the collar were recorded in income. Beginning in the fourth quarter of 1999, the Company had the right to put and the counterparty had the right to call a portion of the shares on a quarterly basis in accordance with an established schedule. During the third quarter of 2000, the Company terminated the options and sold the underlying equity security. The Company's realized gain on these shares for the years ended December 31, 2000 and 1999, was $2.8 million and $0.9 million, respectively, and is included in other non-operating income.

PART II (continued)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. OUR DIRECTORS AND EXECUTIVE OFFICERS

The information required by this Item will be included under the captions "Election of Directors," "Nominees for Director," "Class 2003 Directors," and "Class 2004 Directors" in our 2002 Proxy Statement, and is incorporated herein by reference. See also "Our Executive Officers" included in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included under the captions "Executive Compensation--Summary Compensation Table," "Executive Compensation--Option Grant Table," "Executive Compensation--Aggregated Option Exercises and Year-End Option Values" and "Employment Agreements" in our 2002 Proxy Statement, and is incorporated herein by reference.

ITEM 12. VOTING SECURITIES OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item will be included under the caption "Voting Securities of Certain Beneficial Owners and Management" in our 2002 Proxy Statement, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item will be included under the caption "Certain Relationships and Related Transactions" in our 2002 Proxy Statement, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) THE FOLLOWING DOCUMENTS ARE FILED AS A PART OF THIS REPORT.

1. Index to Consolidated Financial Statements:

See Consolidated Financial Statements included as part of this Form 10-K beginning at page 26

2. Financial Statement Schedules:

Report of Independent Public Accountants...... 54
Schedule II--Valuation and Qualifying Accounts 55

3. Exhibits:

Exhibit No.	Description
2.01	Agreement and Plan of Merger of Heidrick & Struggles, Inc. and Heidrick & Struggles International, Inc. (Incorporated by reference to Exhibit 2.01 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
3.01	Form of Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.02 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
3.02	Form of Amended and Restated By-laws of the Registrant (Incorporated by reference to Exhibit 3.03 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
4.01	Specimen Stock Certificate (Incorporated by reference to Exhibit 4.01 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
*10.01	Retirement Agreement of Patrick S. Pittard
*10.02	Employment Agreement of David C. Anderson (Incorporated by reference to Exhibit 10.08 of this Registrant's Form 10Q filed on May 15, 2001)
*10.03	Employment Agreement of Piers Marmion (Incorporated by reference to Exhibit 10.08 of this Registrant's Form 10-K filed on March 29, 2001)
*10.04	Employment Agreement of Stephanie W. Abramson (Incorporated by reference to Exhibit 10.11 of this Registrant's Form 10Q filed on May 15, 2001)
*10.05	Employment Agreement of Knox J. Millar (Incorporated by reference to Exhibit 10.12 of this Registrant's Form 10Q filed on August 14, 2001)
*10.06	Employment Agreement of Brian M. Sullivan
21.01	Subsidiaries of the Registrant
99.01	1998 Heidrick & Struggles Global Share Program I and the 1998 Heidrick & Struggles Global Share Program II (Incorporated by reference to Exhibit 99.01 and Exhibit 99.02 of this Registrant's Registration Statement on Form S-8 (File No. 333-73443))
99.02	Heidrick & Struggles International, Inc. Restricted Stock Unit Plan (Incorporated by reference to Exhibit 4.03 of this Registrant's Registration Statement on Form S-8 (File No. 333-32544))
99.03	Amendments No. 1-4 to the 1998 Heidrick & Struggles Global Share Program I and the 1998 Heidrick & Struggles Global Share Program II (Incorporated by reference to Exhibit 10.10 of this Registrant's Form 10Q filed on August 14, 2000)
99.04	Amendment No. 5 to the 1998 Heidrick & Struggles Global Share Program I and the 1998 Heidrick & Struggles Global Share Program II
99.05	Amendment No. 1 to the Heidrick & Struggles Restricted Stock Unit Plan
99.06	Heidrick & Struggles International, Inc. Deferred Compensation Plan and the Heidrick & Struggles International, Inc. Deferred Compensation Plan for UK Employees (Incorporated by reference to Exhibit 4.1 and Exhibit 4.2 of this Registrant's Registration Statement on Form S-8 (File No. 333-82424))
*99.07	Heidrick & Struggles International, Inc. Change in Control Severance Plan
*99.08	Heidrick & Struggles International, Inc. Director Deferred Fee Plan
99.09	Letter from the Registrant to the SEC with respect to representations received from Arthur Andersen LLP.

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*Management contracts or compensatory plans or arrangements required to be filed as an exhibit to this form pursuant to Item 14 (c) of this report.

(b) REPORTS ON FORM 8-K

During the quarter ended December 31, 2001, no reports on Form 8-K were filed by the Registrant

(c) SEE EXHIBIT INDEX ABOVE

(d) FINANCIAL STATEMENTS NOT PART OF ANNUAL REPORT

None

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES included in this Form 10-K report and have issued our report thereon dated February 6, 2002. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule II--Heidrick & Struggles International, Inc. Valuation and Qualifying Accounts is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Chicago, Illinois
February 6, 2002

SCHEDULE II

Heidrick & Struggles International, Inc.

Valuation and Qualifying Accounts

	Balance at Beginning of Year	Charged to Costs & Expenses	Deduction Including Currency Translation	Acquisitions	Balance at End of Year
Allowance for doubtful accounts					
Year Ended December 31,					
2001....................	$16,452	20,494	(23,197)	--	$13,749
2000....................	$12,435	26,322	(22,305)	--	$16,452
1999....................	$ 4,669	10,405	(6,483)	3,844	$12,435

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Chicago, State of Illinois.

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

By /S/ KEVIN J. SMITH

Title Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ PIERS MARMION Piers Marmion (principal executive officer)	Chairman, Chief Executive Officer and Director	March 28, 2002
/S/ DAVID C. ANDERSON David C. Anderson	President, Chief Operating Officer and Director	March 28, 2002
/S/ KEVIN J. SMITH Kevin J. Smith (principal financial and accounting officer)	Chief Financial Officer and Treasurer	March 28, 2002
/S/ RICHARD I. BEATTIE Richard I. Beattie	Director	March 28, 2002
/S/ THOMAS J. FRIEL Thomas J. Friel	Director	March 28, 2002
/S/ ROBERT E. KNOWLING, JR. Robert E. Knowling, Jr.	Director	March 28, 2002
/S/ PHILIP A. LASKAWY Philip A. Laskawy	Director	March 28, 2002
Bengt Lejsved	Director	March 28, 2002
/S/ DR. JURGEN B. MULDER Dr. Jurgen B. Mulder	Director	March 28, 2002
Gerard R. Roche	Director	March 28, 2002
/S/ ROBERT W. SHAW Robert W. Shaw	Director	March 28, 2002
/S/ CARLENE M. ZIEGLER Carlene M. Ziegler	Director	March 28, 2002

EXHIBIT 10.01

RETIREMENT AGREEMENT

AGREEMENT, made and entered into as of October 1, 2001 (the "Effective Date"), by and among Heidrick & Struggles International, Inc., a Delaware corporation (together with its successors and assigns permitted under this Agreement, the "Parent"), Heidrick & Struggles, Inc., a Delaware corporation (together with its successors and assigns permitted under this Agreement, "Heidrick & Struggles"), and Mr. Patrick S. Pittard (the "Executive"). The Parent and Heidrick & Struggles collectively are referred to herein as the "Company."

W I T N E S S E T H:

WHEREAS, the Executive has served the Company as Chairman, President and Chief Executive Officer and has discharged his duties and responsibilities effectively;

WHEREAS, after his long service to the Company, the Executive has decided to pursue other opportunities;

WHEREAS, the Executive has requested, and the Company has approved, the Executive's election of early retirement effective as of the Effective Date, in accordance herewith;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, the Company and the Executive (individually a "Party" and together the "Parties") agree as follows:

1. Definitions.

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

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

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

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

(e) "Original Employment Agreement" shall mean the January 1, 2000 amended and restated employment agreement between the Executive, the Parent and Heidrick & Struggles, as amended by the First Amendment dated as of March 30, 2001.

(f) "1999 Options" shall mean the options to purchase 149,086 shares of the Common Stock at $14.00 per share granted to the Executive on April 26, 1999 in tranches of 130,000, 17,586 and 1,500, respectively.

(g) "2000 Options" shall mean the options to purchase 100,000 shares of the Common Stock at $41.9688 per share granted to the Executive on June 5, 2000.

(h) "2001 Options" shall mean the options to purchase 78,785 shares of the Common Stock at $35.125 per share granted to the Executive on March 6, 2001 in tranches of 17,285 and 61,500 respectively.

(i) "Payment Date" shall mean the tenth business day after this Agreement is signed.

2. Early Retirement.

The Executive hereby elects to retire as of the Effective Date, and the Company hereby approves the Executive's election, subject to the following terms and conditions:

(a) The Company shall pay to the Executive not later than the close of business on the Payment Date the following amounts less standard payroll and withholding taxes:

(i) $6.7 million in cash in full substitution and satisfaction of the Company's obligation to pay any amount in the nature of a pension, supplemental pension, retirement benefit or similar benefit;

(ii) $2.676 million in cash which represents the present value (the "Present Value Amount") of the Executive's compensation, perquisites, entitlements and benefits under the Executive's Original Employment Agreement from January 1, 2002 through December 31, 2005; provided, however, that such amount shall be reduced by 50% of the difference (if positive) between (A) the closing price per share of the Company's Common Stock as reported on the NASD National Market System on the trading day prior to the Payment Date and (B) $14.00 times 149,086 ; and

(iii) $75,000 in cash which represents the Executive's net 2001 incentive compensation pursuant to the plan approved by the shareholders of the Parent.

(b) The Company shall transfer to the Executive title or provide the Executive documents authorizing the Executive to obtain title to his current car on the Payment Date, the current value thereof having been deducted in determination of the Present Value Amount.

(c) The 1999 Options, the 2000 Options and the 2001 Options shall immediately become exercisable in full as of October 1, 2001 and shall remain exercisable by the Executive (or his heirs, as the case may be) for the remainder of their originally scheduled terms; provided, however, that the effectiveness of the foregoing shall be subject to the further condition that (i) the Executive shall not have revoked the Release (as defined below) and (ii) the Executive shall have no right to rescind this Agreement or the Release as evidenced by the certificate described in clause (h) below.

(d) The 35,000 unvested Restricted Stock Units (the "Restricted Stock Units") of the Parent granted to the Executive on March 30, 2001 shall vest in full as of October 1, 2001; provided, however, that the effectiveness of the foregoing shall be subject to the further condition that (i) the Executive shall not have revoked the Release and (ii) the Executive shall have no right to rescind this Agreement or the Release as evidenced by the certificate described in clause (h) below.

(e) Prior to the Payment Date, the Company shall deliver to the Executive a copy of the resolution of the Compensation Committee of the Board of Directors of the Parent to the effect that the Compensation Committee has approved the retirement of the Executive in accordance with this Agreement, such resolution to be certified by the Secretary of the Parent as having been duly adopted and in effect on the Effective Date.

(f) The Executive hereby resigns from all offices and directorships of the Company and the Parent and all the Affiliates as of the Payment Date, other than as Chairman of the Board of the Parent. The Executive shall resign as Chairman of the Board of the Parent at the request of the Board of Directors of the Parent. The Executive shall deliver to the Company on the Payment Date a letter to this effect in the form previously agreed to.

(g) The Original Employment Agreement shall cease to be in effect and the Executive shall have delivered a release in the form of Exhibit A attached hereto (the "Release") and shall not have revoked it prior to the Payment Date in accordance with its terms.

(h) On the Payment Date, the Executive shall deliver to the Company a certificate in the form of Exhibit B attached hereto.

3. Employee Benefit Programs. From the Effective Date, the Executive shall be entitled to participate as a retiree (at his own expense) in the group health insurance plans of the Company as provided under COBRA.

4. Reimbursement of Business and Other Expenses. The Company shall promptly reimburse the Executive for all reasonable business expenses incurred in connection with carrying out the business of the Company and its Affiliates prior to October 1, 2001, subject to documentation in accordance with the Company's policy. The Company shall pay all reasonable legal fees and expenses incurred by the Executive up to $20,000 in connection with the Executive's retirement arrangements with the Company.

5. Confidential Information. The Executive acknowledges that certain letter agreement dated September 18, 1997 (the "Confidentiality Agreement"), between the Company and the Executive regarding the protection of confidential information of the Company and its Affiliates. The terms and conditions of the Confidentiality Agreement shall remain in full force and effect and are incorporated by reference herein. Any breach of the Confidentiality Agreement by the Executive shall constitute a breach of this Agreement, subject to the rights and remedies of the Company and its Affiliates as provided by Section 8 of this Agreement,

6. Noncompetition. From the Effective Date until the second anniversary of the Effective Date (the "Restricted Period"), the Executive agrees that he will not, directly or indirectly, acting with others or alone, manage, operate or control, engage or become interested in as an owner (other than as an owner of less than 5% of the stock of a publicly owned company), stockholder, partner, director, officer, employee (in an executive capacity), consultant or otherwise (the "Executive's Employment") in any business that is a "Competitive Business" with the Company or any of its Affiliates in any geographic location in which the Company or any of its Affiliates conducts its business. For purposes of this Section, a business operation shall be considered a "Competitive Business" with the Company or its Affiliates if such business operation (a) provides services in the executive search business during the Restricted Period or (b) provides any product or service competitive with any product or service provided by the Company or any of its Affiliates, the sales of which amount to 5% or more of the total gross revenues of the Company and its Affiliates at the time of the Executive's Employment.

7. Nonsolicitation. During the Restricted Period, the Executive shall not directly or indirectly solicit or induce or attempt to solicit or induce any employee, current or future, of the Company or any of its Affiliates to terminate employment with the Company or any of its Affiliates for any reason, or hire any individual who was an employee of the Company or any of its Affiliates within one (1) year of being hired by the Executive, except for those individuals released or terminated by the Company or any of its Affiliates, and shall not solicit any client or customer of the Company or any of its Affiliates as of the date of termination of the Executive's employment with the Company, for purposes of doing business with any business or operation which is a "Competitive Business" of the Company or any of its Affiliates as defined in Section 6 above.

8. Rights and Remedies Upon Breach. If the Executive breaches, or threatens to commit a breach of, any of the provisions contained in Sections 5, 6 or 7 of this Agreement (the "Restrictive Covenants"), the Company and its Affiliates will have the following rights and remedies, each of which rights and remedies will be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company and its Affiliates under law or in equity:

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

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

(c) Cessation of Severance Benefits. The right and remedy to cease any further severance, benefit or other compensation payments under this Agreement to the Executive or his estate or beneficiary from and after the commencement of such breach by the Executive regardless of whether the Restrictive Covenants are found by a court of competent jurisdiction to be enforceable or not.

The Executive hereby acknowledges and agrees that the Restrictive Covenants are reasonable and valid in duration, geographic scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants will not thereby be affected and will be given full effect without regard to the invalid portions. In the event the Executive breaches the Restrictive Covenants during the periods of time in which the Restrictive Covenants are enforceable, then, in such event, such violation shall toll the running of such time period from the date of such violation until such violation shall cease.

9. Arbitration of Disputes and Reimbursement of Legal Costs. Except as otherwise provided in this Section 9, the Parties agree that any dispute, claim or controversy based on common law, equity, or any federal, state or local statute, ordinance, or regulation (other than workers' compensation claims) arising out of or relating in any way to the Executive's employment, the terms, benefits, and conditions of employment, or concerning this Agreement or its termination and any resulting termination of employment, including whether such dispute is arbitrable, shall be settled by arbitration. This agreement to arbitrate includes but is not limited to all claims for any form of illegal discrimination, improper or unfair treatment or dismissal, and all tort claims. The Executive shall still have a right to file a discrimination charge with a federal or state agency, but the final resolution of any discrimination claim shall be submitted to arbitration instead of a court or jury. Subject to the following provisions, the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Association") then in effect in Chicago, Illinois by three arbitrators. One of the arbitrators shall be appointed by the Company, one shall be appointed by the Executive, and the third shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the third arbitrator within 30 days of the appointment of the second arbitrator, then the third arbitrator shall be appointed by the Association. The decision of the arbitrators, including determination of the amount of any damages suffered, shall be final, nonappealable and binding on all Parties, their heirs, executors, administrators, successors and assigns, and judgment may be entered thereon by any Party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrators shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement. If the Executive prevails on any material issue which is the subject of such arbitration or lawsuit, the Company shall be responsible for all of the fees of the American Arbitration Association and the arbitrators and any expenses relating to the conduct of the

arbitration (including the Company's and the Executive's reasonable attorneys' fees and expenses). Otherwise, each party shall be responsible for its own expenses relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses) and shall share the fees of the American Arbitration Association equally. Pending the resolution of the arbitration, all payments and benefits otherwise due to the Executive hereunder shall continue.

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

10. Indemnification.

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

(b) Neither the failure of the Parent or Heidrick & Struggles (including their boards of directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by the Executive under Section 10(a) above that indemnification of the Executive is proper because he has met the applicable standard of conduct, nor a determination by the Parent or Heidrick & Struggles (including their boards of directors, independent legal counsel or stockholders) that the Executive has not met such applicable standard of conduct, shall create a presumption that the Executive has not met the applicable standard of conduct.

(c) The Parent and Heidrick & Struggles each agrees to continue and maintain a directors' and officers' liability insurance policy covering the Executive to the extent it provides such coverage for its other present or former directors and executive officers.

11. Effect of Payments.

Upon payment of the amounts provided for in Section 2(a) above and the delivery to the Executive of (i) agreements evidencing the modification of the 1999 Options, the 2000 Options and the 2001 Options and the Restricted Stock Units; (ii) a copy of irrevocable instructions to the Company's transfer agent to deliver to the Executive certificates evidencing the number of shares of the Common Stock underlying the Restricted Stock Units, net of the number of shares withheld pursuant to his election under Section 8(b) of the Participation Agreement with respect to the Restricted Stock Units, and (iii) appropriate documentation evidencing transfer of title or authorizing the Executive to obtain title to the car referred to in Section 2(b), none of the Parent, Heidrick & Struggles or any of their Affiliates will have any further obligation to the Executive in respect of compensation, bonus, severance, benefits, pension or other payment or with respect to any equity interest, except as provided under any deferred compensation, savings or other plan, program or arrangement of the Company including, without limitation, any 401(k) plan. The Executive hereby waives any rights he may have had under the Original Employment Agreement and any right to participate in any offer made by the Parent, Heidrick & Struggles or any of their Affiliates to exchange, modify or amend any equity interest in the Parent, or any of their Affiliates except to the extent such offer is made to other retired employees as a group.

If the Company does not discharge its obligations under Sections 2(a), 2(c) and 2(d) above and its obligations under clauses (i) and (ii) of the first sentence of this Section 11 on or before the Payment Date, then from the Payment Date until the date, if any, the Company discharges such obligations, (1) the Company shall have no right to enforce the Release, (2) the Executive shall have the right at his sole discretion to rescind this Agreement and the Release and (3) the period within which the Executive must give notice for purposes of Sections 1(h) and 11(d)(i) of the Original Employment Agreement shall be extended until such date, if any. If the Company discharges its obligations after the Payment Date but before the Executive exercises his right under clause (2) above, the Executive shall have no further right to rescind this Agreement or the Release and despite clause (1) above, the Release shall be deemed to have been effective during the period from the date of this Agreement through the date on which such obligations are discharged.

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

& Struggles further agree that, in the event of a sale of assets or liquidation as described in the preceding sentence, they shall take whatever action they reasonably can in order to cause such assignee or transferee to expressly assume the liabilities, obligations and duties of the Parent and Heidrick & Struggles hereunder. No rights or obligations of the Executive under this Agreement may be assigned or transferred by the Executive other than his rights to compensation and benefits, which may be transferred only by will or operation of law, provided, however, the Executive shall be entitled, to the extent permitted under applicable law or any plan, program, agreement or arrangement of the Company, to select or change a beneficiary or beneficiaries to receive any compensation or benefit hereunder following the Executive's death by giving the Company written notice thereof.

13. Entire Agreement. This Agreement contains the entire understanding and agreement among the Parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, among the Parties with respect thereto, provided, that if the Executive revokes his agreement to the Release attached hereto as Exhibit A within seven days of signing such Release, then this Agreement shall be null and void and the Original Employment Agreement shall remain in effect.

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

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

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

17. Governing Law. This Agreement shall be governed in accordance with the laws of Illinois without reference to principles of conflicts of law.

18. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed given when (a) delivered personally, (b) delivered by certified or registered mail, postage prepaid, return receipt requested or (c) delivered by overnight courier (provided that a written acknowledgment of receipt is obtained by the overnight courier) to the Party concerned at the address indicated below or to such changed address as such Party may subsequently give such notice of in accordance with this Section 18:

If to the Company or the Parent: Heidrick and Struggles, Inc.
245 Park Avenue
New York, New York 10167
Attention: Chief Legal Officer

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

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

20. Counterparts. This Agreement may be executed in two or more counterparts. Signatures delivered by facsimile shall be effective for all purposes.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date last written below.

Heidrick & Struggles, Inc.

By: /s/ Stephanie W. Abramson

Name: STEPHANIE W. ABRAMSON

Title: CHIEF LEGAL OFFICER

Heidrick and Struggles International, Inc.

By: /s/ Stephanie W. Abramson

Name: STEPHANIE W. ABRAMSON

Title: CHIEF LEGAL OFFICER

/s/ Patrick S. Pittard

Patrick S. Pittard

Date: 10/18/01

EXHIBIT A

Mr. Patrick S. Pittard

Assuming your execution and delivery of this Release (the "Release") within 21 days of the date of the Agreement (as defined below) and your failure to revoke this Release within 7 days thereafter, in exchange for the compensation, payments, benefits and other consideration provided to you in the Agreement effective as of October 1, 2001 among Heidrick & Struggles International, Inc. (the "Parent"), Heidrick & Struggles, Inc. ("Heidrick & Struggles") and you (the "Agreement"). (Capitalized terms not defined herein have the same meanings as those terms are defined in the Agreement.)

a. You accept the compensation, payments, benefits and other consideration provided for in the Agreement in full resolution and satisfaction of, and hereby IRREVOCABLY AND UNCONDITIONALLY RELEASE, REMISE AND FOREVER DISCHARGE the Company and Releasees from any and all agreements, promises, liabilities, claims, demands, rights and entitlements of any kind whatsoever, in law or equity, whether known or unknown, asserted or unasserted, fixed or contingent, which you, your heirs, executors, administrators, successors or assigns ever had, now have or hereafter can, shall or may have for, upon, or by reason of any matter, cause or thing whatsoever existing, arising or occurring at any time on or prior to the date you execute this Release, including, without limitation, any and all contract and other claims relating to your employment, compensation and benefits with the Parent, the Company and Releasees and/or the termination thereof, benefit claims, tort claims, fraud claims, claims for bonuses, commissions, sales credits or similar payments, claims relating to your service on the Parent's Board of Directors or the Board of Directors of Releasees, defamation, disparagement, or other personal injury claims, claims related to any bonus compensation, claims for accrued vacation pay, claims under any federal, state or municipal wage payment, discrimination or fair employment practices law, statute or regulation, and claims for costs, expenses and attorney's fees with respect thereto, except that the Company's obligations under the Agreement and this Release shall continue in full force and effect in accordance with their terms. This Release and waiver includes, without limitation, any and all rights and claims under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Civil Rights Act of 1866 (42 U.S.C. ss. 1981), the Employee Retirement Income Security Act, as amended, the Federal Age Discrimination in Employment Act, the Americans with Disabilities Act, the Fair Labor Standards Act, the National Labor Relations Act, the Family and Medical Leave Act, and any other federal, state or local statute, ordinance, regulation or constitutional provision regarding employment, compensation, employee benefits, termination of employment or discrimination in employment.

b. Excepted from this Release are (i) any claims to enforce your rights, if any, to vested benefits and entitlements and any other continuing benefit or entitlement under any applicable plan, agreement, program, award, policy or arrangement of the Company except as provided in the Agreement, (ii) any right or claim that arises after the date you execute this Release, (iii) any right you may have to enforce this Release or the Agreement, (iv) your eligibility for indemnification in accordance with the Agreement or applicable laws or the certificate of incorporation and by-laws of the Parent or Heidrick & Struggles, or any applicable directors' and officers' insurance policy or other insurance policy, with respect to liability incurred as an employee or officer of the Company (or with respect to service at the request or on behalf of the Company as an officer, director, trustee, member, employee or agent or in any other capacity with any other entity) and (v) any right to obtain contribution as permitted by law in the event of an entry of judgment against you as a result of any act or failure to act for which the Company and Releasees or any of them and you are jointly liable.

c. For the purpose of implementing a full and complete release and discharge of claims, you expressly acknowledge that this Release is intended to include in its effect, without limitation, all the claims described in paragraph (a) above, whether known or unknown , and that this Release contemplates the extinction of all such claims, including claims for attorneys' fees.

d. In consideration of the mutual promises contained in the Agreement, the Parent and Heidrick & Struggles, on behalf of themselves individually and the Company and Releasees, hereby irrevocably and unconditionally release, remise and forever discharge you, your dependents, heirs, administrators, agents, executors and assigns from any and all agreements, promises, liabilities, claims, demands, rights and entitlements of any kind whatsoever, in law or equity, whether known or unknown, asserted or unasserted, fixed or contingent, which the Parent, Heidrick & Struggles, the Company and Releasees ever had, now have or hereafter can, shall or may have for, upon, or by reason of any matter, cause or thing whatsoever existing, arising or occurring at any time on or prior to the date you execute this Release, including but not limited to any and all contract and other claims relating to your employment, compensation and benefits with the Parent, the Company and Releasees and/or the termination thereof, tort claims, fraud claims, claims for defamation, disparagement or other personal injury claims, claims relating to your service on the Parent's Board of Directors or the Board of Directors of Releasees, claims under any federal, state or municipal law or ordinance, and claims for costs, expenses and attorney's fees with respect thereto, except that your obligations under the Agreement and this Release shall continue in full force and effect in accordance with their terms. Excepted from this Release are (i) any right the Company and Releasees may have to enforce the Agreement or this Release, (ii) any right or claim that arises after the date you sign this Release or (iii) any right the Company and Releasees may have to obtain contribution as permitted by law in the event of entry of judgment as a result of any act or failure to act for which the Company and Releasees or any of them and you are jointly liable.

e. For purposes of this Release, the term "the Company and Releasees" includes the Company, the Parent and its past, present and future, direct and indirect parents, subsidiaries, Affiliates, divisions, predecessors, successors, insurers, and assigns, and their past, present and future officers, directors, agents, shareholders and employees, in their official and individual capacities, and all other related entities and individuals, jointly and individually, and this Release shall inure to the benefit of and shall be binding and enforceable by all such entities and individuals.

f. If this Release conforms to your understanding and is acceptable to you, please indicate your agreement by signing and dating the enclosed copy of this Release in the space provided below and returning the signed Release to the Chief Legal Officer of the Company at the address indicated in the Notices provision of the Agreement within 21 days of the date you execute the Agreement. Once you have signed this Release, you will then be permitted to revoke this Release at any time during the period of 7 days following its execution by delivering to the Chief Legal Officer a written notice of revocation. This Release will not be effective or enforceable and no payments shall be provided under the Agreement unless and until the 7-day revocation period has expired without your having exercised your right of revocation.

g. This Release is subject to the provision of the second paragraph of Section 11 of the Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Release to be effective as of the date of your signature indicated below.

HEIDRICK & STRUGGLES, INC.

By: _______________________________

Name: _______________________________

Title: _______________________________

HEIDRICK AND STRUGGLES INTERNATIONAL, INC.

By: _______________________________

Name: _______________________________

Title: _______________________________

THIS RELEASE IS A LEGAL DOCUMENT.

BY SIGNING THIS RELEASE, YOU ACKNOWLEDGE AND AFFIRM THAT: (1) YOU ARE COMPETENT; (2) YOU WERE AFFORDED A REASONABLE TIME PERIOD OF AT LEAST 21 DAYS TO REVIEW AND CONSIDER THIS RELEASE AND HAVE BEEN ADVISED TO DO SO WITH AN ATTORNEY OF YOUR CHOICE; (3) YOU HAVE READ AND UNDERSTAND AND ACCEPT THE AGREEMENT AND THIS DOCUMENT AS FULLY AND FINALLY RESOLVING, WAIVING AND RELEASING ANY AND ALL CLAIMS AND RIGHTS WHICH YOU MAY HAVE AGAINST THE COMPANY AND RELEASEES (AS DEFINED ABOVE), INCLUDING, WITHOUT LIMITATION, ANY AND ALL CLAIMS AND RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT; (4) NO PROMISES OR INDUCEMENTS HAVE BEEN MADE TO YOU EXCEPT AS SET FORTH IN THE AGREEMENT AND THE RELEASE; AND (5) YOU HAVE SIGNED THIS RELEASE FREELY, KNOWINGLY AND VOLUNTARILY, INTENDING TO BE LEGALLY BOUND BY ITS TERMS.

ACCEPTED AND AGREED:

_________________________________ Date________________
Patrick S. Pittard

EXHIBIT B

CERTIFICATE

I refer to the Retirement Agreement (the "Agreement), effective as of October 1, 2001, between the Company and me and in particular to Sections 2 and 11 thereof (capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement). I hereby acknowledge that I have received the following which constitute all of the payments, agreements, and other things required to be delivered by the Company on the Payment Date pursuant to the Agreement and that I have no right to terminate the Agreement or to rescind the Agreement or the Release.

1. Amendment No. 1 to Stock Option Agreements of the 1999 Options, the 2000 Options, and the 2001 Options substantially in the form attached as Exhibit I

2. Amendment No. 1 to Restricted Stock Unit Participation Agreement substantially in the form attached as Exhibit II

3. Certificate of the Secretary of the Company dated October 29, 2001 substantially in the form attached as Exhibit III

4. Bill of Sale and Certificate of Title for 2001 Mercedes S600, VIN Serial No. WDBNG78J01A200457 substantially in the forms attached as Exhibit IV

5. Irrevocable instructions to Mellon Investor Services, LLC, ("Mellon") relating to the shares of Common Stock underlying the Restricted Stock Units in the form attached hereto as Exhibit V-1, and a letter from Mellon confirming receipt thereof, in the form attached hereto as Exhibit V-2

6. Bank check in the amount of $9,451,000 minus the amount referred to in Section 2(a)(ii) of the Agreement.

____
Patrick S. Pittard

Dated: October 29, 2001

EXHIBIT 10.06

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made and entered into as of this 27th day of August, 1999, by and between HEIDRICK & STRUGGLES, INC., a Delaware corporation (the "Company"), and BRIAN M. SULLIVAN, residing at Holly Glen, P0 Box 396, New Vernon, New Jersey 07976 (the "Partner").

W I T N E S S E T H:

1. EMPLOYMENT

The Company hereby employs the Partner, and the Partner hereby accepts such employment, upon the terms and subject to the conditions set forth in this Agreement.

2. TERM

(a) Employment Term. Subject to the provisions for termination as hereinafter provided, the term of employment under this Agreement shall commence on September 1, 1999 (the "Effective Date"), and shall continue for a period of five (5) years thereafter (the "Term").

(b) Prior Agreements. This Agreement supersedes all agreements and understanding (including oral agreements) between Partner and the Company and/or its affiliates regarding the terms and conditions of Partner's employment with the Company or any predecessor and/or affiliates.

3. COMPENSATION

(a) Partner Compensation Policy. Except as otherwise provided herein for the bonus (calendar) years ending December 31, 1999, 2000 and 2001, the determination of annual compensation to be paid by the Company to the Partner shall be subject to the guidelines of the U.S. Partner/Consultant Cash Compensation Policy effective October 1, 1998, as amended or modified from time to time (the "Partner Compensation Policy").

(b) Base Salary. The Company shall pay to the Partner as base compensation for all services rendered by the Partner during the term of this Agreement an initial monthly base salary of $33,333.33 (which is $400,000 annually), payable monthly or in other more frequent installments, as determined by the Company (the "Base Salary"), commencing on the Effective Date. It is current Company policy that salaries are reviewed annually in November or December, so that the Partner's first salary review will be in November or December 2000, and any increase in such base compensation shall thereafter be deemed to be the Base Salary for the purposes of this Agreement. In event that the Partner does not meet the actual fee and Source of Business (as defined in the Partner Compensation Policy) ("SOB") expectations for 2001 (as set forth below) or any calendar year thereafter, the Company may decrease the Partner's Base Salary in accordance with the Partner Compensation Policy at the beginning of the following calendar year, and such decreased amount shall thereafter be deemed to be the Base Salary for the purposes of this Agreement. As of the Effective Date through December 31, 2001, the actual fee and SOB expectations of the Partner are as follows (which for 1999 and 2000 are for reference purposes only):

Year	Fee	SOB
September 1,1999 to December 31, 1999	$ 449,000	$1,360,000
January 1, 2000 to December 31, 2000	$2,000,000	$4,000,000
January 1, 2001 to December 31, 2001	$2,000,000	$4,250,000

The parties expect that fee and SOB amounts for years 2002, 2003 and 2004 (through the end of the Term) will exceed the above numbers (after adjusting for inflation).

(c) Bonus Compensation. In addition to the Base Salary to be paid pursuant to Section 3(b) of this Agreement, during the Term of this Agreement or any renewal or extension thereof, the Partner will be entitled to or eligible for (as the case may be) the following bonus compensation:

(i) The Sullivan Collections Bonus. For the period beginning with the Effective Date and continuing through December 31, 2000, the Partner is entitled to receive a bonus based upon the actual post-August 31, 1999 cash collection of the Partner's fees that were invoiced by Sullivan & Company ("Sullivan") prior to September 1, 1999, provided that the cash is received by the Company on or before December 31, 2000 (the "Sullivan Collections Bonus"). The Sullivan Collections Bonus, if any is due, will be payable monthly by the 15th day of the month following the Company's receipt of the cash from such invoices. The amounts of the bonus payable to the Partner will be equal to the amount to which the Partner would have been entitled under the Sullivan "commission program" in which the Partner participated as of August 31, 1999. The Sullivan Collections Bonus is payable only if the Partner is employed on the respective bonus payment dates, unless his termination of employment is due to the Partner's death, disability or termination Without Cause or for Good Reason, in which case such bonus is payable in accordance with the terms of the applicable termination provision hereof.

(ii) Heidrick & Struggles Bonus: The Partner will be eligible to receive a bonus, payable on January 15, 2000, equal to an amount based upon cash collections from the Partner's fees and SOB credits (as defined in the Partner Compensation Policy) invoiced by the Company from September 1, 1999 through December 31, 1999 (the "Initial Stub Period"), and determined in accordance with Exhibit A hereto using a "plus one" level, with the Partner's fee and SOB credits for such purposes determined by including the Partner's revenue generation during his employment with Sullivan in 1999 (assuming $1.00 of fee and SOB credit for each dollar of revenue production), less the portion of the Partner's Base Salary actually paid during the Initial Stub Period (the "Heidrick & Struggles Bonus"). The Heidrick & Struggles Bonus is payable only if the Partner is in the Company's employ on the bonus payment date, unless his termination of employment is due to the Partner's death, disability or termination Without Cause or for Good Reason, in which case such bonus is payable in accordance with the terms of the applicable termination provision hereof.

(iii) Minimum Bonus. For each of the bonus (calendar) years ending December 31, 2000 and 2001, the Partner shall receive a minimum annual bonus of $1,600,000 (the "Minimum Bonus"), payable when bonuses are paid for these bonus years (currently December and the following March), provided that the Partner is in the Company's employ on the respective bonus payment dates, unless his termination is due to the Partner's death, disability or termination Without Cause or for Good Reason, in which case such bonus is payable in accordance with the terms of the applicable termination provision hereof.

(iv) Discretionary Annual Bonus. Beginning with the bonus (calendar) year ending December 31, 2000, the Partner will be eligible to be considered for a discretionary annual bonus based upon the Partner Compensation Policy (the "Discretionary Annual Bonus"), which Discretionary Annual Bonus currently is payable in December and the following March. The Discretionary Annual Bonus shall not be earned until declared by the Board or appropriate committee of the Board, and shall be payable only if the Partner is in the Company's employ on the applicable payment date, unless, during the Term of this Agreement (but not any renewal or extension thereof), the Partner's termination is due to his death, disability or termination Without Cause or for Good Reason, in which case such bonus is payable in accordance with the terms of the applicable termination provision hereof. For the bonus (calendar years) ending December 31, 2000 and December 31, 2001, the Minimum Bonus payable pursuant to section (iii) above shall be part of, and not in addition to, the Discretionary Annual Bonus.

(d) Benefits. In order to facilitate the transition of benefits, the Company is maintaining, for current plan participants only, the Sullivan benefit plans and policies through December 31, 1999. If the Partner is currently eligible, the Partner will continue participation in the Sullivan plans and policies through December 31, 1999. If the Partner has not yet met the eligibility requirements to participate in the Sullivan & Company Plan (the 401(k) plan) (the "Sullivan Plan"), the Partner will no longer be able to enter the Sullivan Plan, but will be eligible to participate in the Heidrick & Struggles, Inc. 401(k) Profit Sharing and Retirement Plan ("H&S 401(k) Plan") as described below.

Beginning January 1, 2000, the Sullivan benefit plans and policies will no longer be maintained, and the Partner will then be eligible to participate in Company benefit programs and policies available to Company executives of comparable rank, in accordance with the terms of those programs and policies. Notwithstanding the foregoing, the Company's GlobalShare programs will apply to the Partner effective September 1, 1999, provided the Partner meets the programs' eligibility requirements.

Beginning January 1, 2000, and subject to the requirements of applicable law, the Partner will receive past service credit for the Partner's term of employment with Sullivan for purposes of determining the term of paid vacation benefits and short-term disability salary continuation benefits. In addition, vacation time accrued through December 31, 1999, but unused, due to the Partner from Sullivan, will be carried forward for the Partner's use up to and including March 31, 2000, in accordance with Sullivan policy.

The Partner will be automatically eligible to participate in the H&S 401(k) Plan beginning January 1, 2000, if the Partner has previously met the eligibility requirements to participate in the Sullivan Plan. If the Partner has not yet met the eligibility requirements for the Sullivan Plan, the Partner will be eligible to participate in the H&S 401(k) Plan upon meeting the age and service requirements under the terms of that Plan. Effective January 1, 2000, and subject to the requirements of applicable law, the Partner will receive credit for service with Sullivan for purposes of eligibility to participate and vesting in the H&S 401(k) Plan.

The Company benefit programs, bonus programs, and policies are reviewed from time to time by the Company's management, and Company programs and policies may be modified, amended or completely terminated at any time.

(e) Business Expenses. During the Term, reasonable business expenses incurred by the Partner in the performance of Partner's duties hereunder shall be reimbursed by the Company in accordance with Company policies.

4. DUTIES

(a) General. The Partner is engaged as an executive search consultant of the Company and shall have duties and responsibilities consistent therewith. In addition, and consistent with the foregoing, the Partner shall have such specific duties and responsibilities as may be assigned to the Partner by the Chief Executive Officer, the Regional Managing Partner, or the Office Managing Partner. The Partner shall be considered a "director-elect" for all intra-company purposes, it being understood that this position is separate and distinct from the legal status of a member of the Company's Board of Directors.

(b) Title; Committees. As of the Effective Date, the Partner shall be given the title of Managing Partner, Global Financial Institutions Practice, and shall be appointed a member of the Global Management Committee for the Term of this Agreement, provided the Partner remains in a significant senior management position.

(c) Home Office. The Partner shall render services and the Company shall employ the Partner principally at the Company's office located at 40 Wall Street, New York, New York or, following August 31, 2001, at such other location in Manhattan as the Company may direct (the Partner's "Home Office").

5. EXTENT OF SERVICES

During the Term of this Agreement, the Partner shall devote the Partner's full-time business energy and attention to the benefit and business of the Company as may be reasonably necessary in performing the Partner's duties pursuant to this Agreement.

6. ILLNESS OR INCAPACITY, TERMINATION ON DEATH, ETC.

(a) Death. The Term of this Agreement and the Partner's employment hereunder shall terminate upon the death of the Partner. Upon the termination of this Agreement on account of the Partner's death, the Company shall pay to the estate of the Partner within thirty (30) days after the date of death the Partner's Base Salary, benefits and reimbursable expenses accrued but unpaid as of the date of termination. In addition, should the Partner's death occur during the Term of this Agreement (but not any renewal or extension thereof), the Company shall pay to the Partner's estate the bonus amount(s) hereunder accrued but unpaid as of date of death, which amount(s) shall be paid at the time such bonuses are due to be paid under the Company's bonus payment schedule. For purposes of the prior sentence:

(i) amounts accrued under Section 3(c)(i) shall mean bonus with respect to amounts collected through date of death;

(ii) amounts accrued under Section 3(c)(ii) shall mean bonus based on the Partner's fees and SOB credits through date of death, determined pursuant to the Partner Compensation Policy as of such date using a "plus one" level;

(iii) amounts accrued under Section 3(c)(iii) shall mean that portion of the Minimum Bonus payable with respect to the bonus (calendar) year in which death occurs as results by multiplying the Minimum Bonus payable for such year by a fraction, the numerator of which shall be the numbers of days elapsed in such calendar year as of the date of death and the denominator of which shall be 365; and

(iv) amounts accrued under Section 3(c)(iv) shall mean that portion of the bonus that would be payable based upon the Partner's cumulative fee and SOB credits based upon his total cash collections for the calendar year in which death occurs through the date of death annualized, with "total cash compensation" determined using the cash compensation guidelines of the Partner Compensation Policy at a "plus one" level of the bonus range, less any Minimum Bonus, if any, payable for such year.

After receiving the payment provided in this Section 6(a), the Partner's estate shall have no further rights to any compensation or any other benefits under this Agreement.

(b) Disability. The Term of this Agreement and the Partner's employment hereunder shall terminate upon the Partner's Permanent Disability. As used in this Agreement, the term "Permanent Disability" shall mean, in the event a disability insurance policy is provided or paid for by the Company covering the Partner at such time and is in full force and effect, the definition of permanent disability set forth in such policy. If no such disability policy is so maintained at such time or is then in full force and effect, the term "Permanent Disability" shall mean the inability of the Partner, as reasonably determined by an independent medical doctor designated by the Company and reasonably agreeable to the Partner or his representative, by reason of physical or mental disability, to perform the duties required of the Partner under this Agreement and such disability has lasted for a period of at least three (3) consecutive months or four (4) months in the aggregate in any twelve (12) month period. The Partner's Base Salary, benefits and reimbursable expenses as provided for hereunder shall continue to be paid, and the Partner shall continue to be eligible for bonus payments due to be paid during any period of incapacity prior to and including the date upon which the Partner's employment is terminated on account of Permanent Disability. Notwithstanding the above, should the Partner's employment be terminated on account of Permanent Disability during the Term of this Agreement (but not any renewal or extension thereof), the Company shall pay to the Partner the bonus amount(s) hereunder accrued but unpaid as of the date of such termination, which amount(s) shall be paid at the time such bonuses are due to be paid under the Company's bonus payment schedule. For purposes of the prior sentence:

(i) amounts accrued under Section 3(c)(i) shall mean bonus with respect to amounts collected through date of termination on account of Permanent Disability;

(ii) amounts accrued under Section 3(c)(ii) shall mean bonus based on the Partner's fees and SOB credits through date of termination on account of Permanent Disability, determined pursuant to the Partner Compensation Policy as of such date using a "plus one" level;

(iii) amounts accrued under Section 3(c)(iii) shall mean that portion of the Minimum Bonus payable with respect to the bonus (calendar) year in which termination on account of Permanent Disability occurs as results by multiplying the Minimum Bonus payable for such year by a fraction, the numerator of which shall be the numbers of days elapsed in such calendar year as of the date of such termination and the denominator of which shall be 365; and

(iv) amounts accrued under Section 3(c)(iv) shall mean that portion of the bonus that would be payable based upon the Partner's cumulative fee and SOB credits based upon his total cash collections for the calendar year in which termination on account of Permanent Disability occurs through the date of such termination annualized, with "total cash compensation" determined using the cash compensation guidelines of the Partner Compensation Policy at a "plus one" level of the bonus range, less any Minimum Bonus, if any, payable for such year.

After receiving the payment provided in this Section 6(b), the Partner shall have no further rights to any compensation or any other benefits under this Agreement.

7. OTHER TERMINATIONS

(a) Good Reason. (i) The Partner may terminate the Term of this Agreement and Partner's employment hereunder for "Good Reason," as hereinafter defined, and Partner shall be entitled to receive the same compensation upon the same terms as would be payable if he had been terminated "Without Cause" pursuant to Section 7(c)(i). For purposes hereof, "Good Reason" shall mean:

(A) the failure of the Company to pay or cause to be paid the Partner's compensation described in Section 3(b) or (c), when due hereunder;

(B) a reduction in the Partner's total compensation which is inconsistent with the fee and SOB guidelines of the Partner Compensation Policy, without good reason (determined by reference to the subjective standards applied to other Company executive search consultants of similar rank);

(C) a material breach by the Company of any material provision of this Agreement;

(D) the failure of the Company to supply the Partner with the level of support services provided to other search consultants at the Partner's Home Office;

(E) the failure of the Company to follow Company policies with respect to sexual and other harassment complaints duly made by the Partner in accordance with such policies;

(F) any substantial and sustained diminution in the Partner's duties as set forth in Section 4(a) hereof; provided, however, that the removal of the Partner from the Global Management Committee or the failure of the Company to maintain the Partner as Managing Partner, Global Financial Institutions Practice, shall not be events constituting Good Reason unless such removal is either (I) without the Partner's consent or (II) based on Partner's performance in such capacities (in the Company's reasonable discretion); or

(G) a significant change in business practices resulting from, or following, a transaction involving the Company or Parent which requires Parent shareholder approval, and which change has, or, with the passage of time, could reasonably be expected to have, a material adverse effect on the partner's ability to generate fee and SOB credits under the Company's then current policies relating to same;

provided, however, that an event described in this Section 7(a) shall not constitute "Good Reason" unless the Partner shall have notified the Company in writing describing the events which constitute Good Reason and then only if the Company shall have failed to cure such events within thirty (30) days after the Company's receipt of such written notice.

(ii) The parties agree that the payments paid pursuant to Section 7(a)(i) of this Agreement shall constitute full consideration for any damages to the Partner on account of such termination of employment and shall be considered as liquidated damages.

(b) Termination for "Cause." (i) Except as otherwise provided in this Agreement, the Company may terminate the employment of the Partner hereunder for "Cause," which shall mean:

(A) the Partner's continued failure to perform the Partner's material duties hereunder (other than as a result of total or partial incapacity due to physical or mental illness), it being agreed that the Partner's failure to achieve fee and SOB numbers set for any calendar year shall not be determinative evidence of the Partner's failure to perform his duties but may be considered an indicium of such failure to perform;

(B) any act of fraud, embezzlement or other misappropriation or similar act by the Partner against the Company;

(C) conviction of the Partner for (x) a felony under the laws of the United States or any state thereof or (y) a misdemeanor involving moral turpitude;

(D) the Partner's willful malfeasance or willful misconduct in connection with the Partner's duties hereunder or any other act or omission which, in each case, intentionally is materially injurious to the financial condition or business reputation of the Company or any of its subsidiaries or affiliates,

(E) the Partner's violation of any of the sexual or other harassment policies of the Company, in which case any termination must be in accordance with the terms of the applicable policy or policies, unless the Partner challenges such termination and such challenge is ultimately and finally successful; or

(F) the Partner's breach of the provisions of Sections 8, 9 or 10 of this Agreement; provided, in the case of a breach of Sections 8 or 9, such breach has a material adverse effect on the Company.

(ii) None of the events or circumstances described in clause (i) of this Section 7(b) shall constitute Cause for purposes of this Agreement unless the Company shall have provided the Partner with written notice specifying such event or circumstance and Company's intention to terminate the Partner's employment if such event or circumstance is not cured and the Partner shall have failed to cure such event or circumstance to the reasonable satisfaction of the Company within thirty (30) days following the delivery of such notice.

(iii) If the Term of this Agreement and the employment of the Partner hereunder is terminated for Cause under Section 7(b)(i) of this Agreement, the Company shall pay to the Partner any Base Salary, benefits and reimbursable expenses accrued but unpaid as of the effective date of termination. Such payment shall be in full and complete discharge of any and all liabilities or obligations of the Company to the Partner under Sections 1, 2 and 3 of this Agreement, and the Partner shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination Without Cause. (i) Notwithstanding any other provision of this Agreement, the Company shall have the right with or without notice to terminate the Term of this Agreement and the Partner's employment "Without Cause" pursuant to the provisions of this Section 7(c). If the Company shall terminate the Term of this Agreement or the employment of the Partner Without Cause during the Term of this Agreement (but not any renewal or extension thereof), (A) the Company shall pay to the Partner the Partner's Base Salary, bonus, benefits, and reimbursable expenses accrued but unpaid as of the date of such termination, it being understood that any bonus amount(s) payable hereunder shall be paid at the time such bonuses are due to be paid under the Company's bonus payment schedule, and (B) the Partner shall continue to receive Base Salary and benefits for a period of three months following the date of termination Without Cause. For purposes of the prior sentence, accrued bonus as of date of termination Without Cause shall be determined in the same manner as accrued bonus is determined under Section 6(a) in the event of death, with date of such termination substituted for date of death in all instances.

(ii) The parties agree that the payments paid pursuant to this Section 7(c) shall constitute full consideration for any damages to the Partner on account of such termination of employment and shall be considered as liquidated damages and not a penalty for the Company's termination of the Partner's employment Without Cause.

(d) Release. Payment of any compensation to the Partner under this Section 7 following termination of employment, other than accrued but unpaid Base Salary, shall be conditioned upon the prior receipt by the Company of a fully effective release executed by the Partner in substantially the form attached to this Agreement as Exhibit B. No release shall be considered fully effective, and no payment shall be made, until all revocation periods with respect to such release shall have expired.

(e) Effect on Certain Covenants. Notwithstanding any termination of the Term of this Agreement and Partner's employment hereunder for any reason, including but not limited to the natural expiration of the Term, the parties' covenants set forth in Sections 9,10, 11, and 12 of this Agreement are intended to and shall remain in full force and effect and shall survive such termination, provided, however, that the covenants set forth in Section 10(b) shall terminate upon the termination of the Term by the Partner for Good Reason or by the Company Without Cause.

8. DISCLOSURE

The Partner agrees that during the Term of the Partner's employment by the Company, the Partner will disclose only to the Company all ideas, methods, plans, developments or improvements known by the Partner which relate to the business of the Company acquired by the Partner in the course of the Partner's employment by the Company. Nothing in this Section 8 shall be construed as requiring any such communication where the idea, plan, method or development is lawfully protected from disclosure as a trade secret of a third party or by any other lawful prohibition against such communication. The covenants contained in this Section 8 shall not prevent any disclosure required by law or order of a court or governmental agency; provided, that the Partner subject to any such requirement shall, prior to any such disclosure, give the Company prompt notice of any such requirement and shall cooperate with the Company in obtaining a protective order or other means of protecting the confidentiality of the Company's proprietary information and confidential records.

9. CONFIDENTIALITY

The Partner agrees to keep in strict secrecy and confidence any and all information proprietary to the Company that the Partner learns or to which the Partner has access during the Partner's employment by the Company (including any such information acquired by the Company from Sullivan) and which has not been publicly disclosed and is not a matter of common knowledge in the fields of work of the Company, including but not limited to information regarding the Company's industry practice strategy both generally and as it may be directed at particular existing and prospective clients, the Company's past, current and future strategic plans and underlying data and confidential and proprietary information regarding search candidates and companies, including but not limited to that available on the Company's computer systems (collectively, the "Confidential Information"). The Partner agrees that both during and after the Term of the Partner's employment by the Company, the Partner will not, without the prior written consent of the Company, disclose any Confidential Information to any third person, partnership, joint venture, company, corporation or other organization. The foregoing covenants shall not be breached to the extent that any such Confidential Information was known to the Partner prior to his employment with the Company or becomes a matter of general knowledge other than through a breach by the Partner. Upon termination of employment with the Company, the Partner shall promptly return to the Company any and all Company property, including personal property, software, files and materials used or developed by the Partner during the Partner's employment with the Company or Sullivan (but excluding the Partner's Rolodex of personal contacts, provided that the Company is given a copy of such Rolodex), regardless of whether such materials are in analog, digital, paper or electronic documents, files or other media forms. The covenants contained in this Section 9 shall not prevent any disclosure required by law or order of a court or governmental agency; provided, that the Partner subject to any such requirement shall, prior to any such disclosure, give the Company prompt notice of any such requirement and shall cooperate with the Company in obtaining a protective order or other means of protecting the confidentiality of the Company's proprietary information and confidential records.

10. NON-COMPETITION AND NONSOLICITATION OF EMPLOYEES

(a) General. The Partner hereby acknowledges that during and as a result of the Partner's employment by the Company, the Partner has received and shall continue to receive: (i) special training and education with respect to executive search research and methods and other related matters and (ii) access to confidential information and business and professional contacts, including contacts with clients and prospective clients of the Company. In consideration of the special and unique opportunities afforded to the Partner by the Company as a result of the Partner's employment, as outlined in the previous sentence, the Partner agrees to the restrictive covenants in this Section 10. The parties hereto also acknowledge that the restrictive covenants in this Section 10 are being entered into between the parties in connection with and as a result of the transactions contemplated by the Agreement and Plan of Merger, dated as of August 27, 1999, among Heidrick & Struggles International, Inc., the Company, Brian Sullivan, Brendan Burnett-Stohner, Jory Marino, Marguerite McMahon, Leslie Stern, Barry Bregman (collectively, the "Stockholders"), and Sullivan (the "Merger Agreement").

(b) Non-Competition.

(i) Restriction. (A) If the Partner's employment with the Company should terminate during the Term (as set forth in Section 2(a) hereof) for any reason other than Good Reason or Without Cause, then for the greater of (x) one-half of the unexpired Term (as set forth in Section 2(a) hereof) and (y) twelve (12) months following such termination of the Partner's employment, or (B) at any time while employed by the Company (the applicable time period in (A)(x), (A)(y) or (B) being defined as the "Competition Period"), the Partner shall not, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner (including as an officer, director, employee, independent contractor, partner, consultant, advisor, agent, proprietor, trustee or investor), any Competing Business (as defined in Section 10(b)(ii) of this Agreement) located or operating in the Territory (as defined in Section 10(b)(iii) of this Agreement); provided, however, that nothing contained in this Section 10(b)(i) shall prevent the Partner from owning less than two percent (2%) of the voting stock of a publicly held corporation for investment purposes.

(ii) Competing Business. For purposes hereof, "Competing Business" shall mean (A) the furnishing of executive search and related consulting services and (B) any business or venture which engages in or provides executive search and related consulting services substantially similar to the whole or any significant part of the services rendered by the Partner in his employment with the Company.

(iii) Territory. For purposes hereof, "Territory" shall mean the United Kingdom and the United States of America and its territories and possessions.

(c) Non-solicitation of Employees. During any Competition Period (as defined in Section 10(b)(i)), the Partner shall not, directly or indirectly, either as an individual, partner, officer, director, stockholder, executive, advisor, independent contractor, joint venturer, proprietor, trustee, investor, consultant, agent, employee, representative or salesman for any person, firm, partnership, corporation or other entity, or otherwise (I) solicit any of the current employees, consultants, directors or officers of the Company or any of its affiliates to terminate any business relationship with the Company or any of its affiliates or (II) employ or retain as an independent contractor, consultant or agent any current or former employees, consultants, directors or officers of the Company or any of its affiliates, unless such persons have been separated from any relationship with the Company or any of its affiliates for at least twelve (12) months, unless any such employees, consultants, directors or officers of the Company or any of its affiliates are or have been terminated by the Company or any of its affiliates.

(d) Essential Element. It is understood by and between the parties hereto that the foregoing restrictive covenants set forth in this Section 10 are essential elements of this Agreement, and that, but for the agreement of the Partner to comply with such covenants, the Company would not have agreed to enter into this Agreement. Such covenants by the Partner shall be construed as agreements independent of any other provision in this Agreement.

11. REMEDIES

(a) Specific Performance. The Partner agrees damages at law will be an insufficient remedy to the Company if the Partner violates the terms of Sections 8, 9 or 10 of this Agreement and that the Company would suffer irreparable damage as a result of any such violation. Accordingly, it is agreed that the Company shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of such Sections without posting any bond and without proving that damages would be an inadequate remedy, which injunctive relief shall be in addition to any other rights or remedies available to the Company hereunder. The parties consent to the modification or termination of any injunctive relief obtained pursuant to this Section 11(a) in accordance with and upon the entry of a final decision obtained in arbitration pursuant to Section 11(c) of this Agreement with respect to the subject matter of any such injunction.

(b) Liquidated Damages. Partner acknowledges and recognizes the highly competitive nature of the Company's business. Partner further acknowledges and recognizes that because his services are special and unique, the Partner's continued employment, after the merger of Sullivan and the Company, is critical to the operations of the Company. Partner further acknowledges and recognizes that no exact measure of the damage caused to the Company if his employment is terminated by the Partner (other than for death, Permanent Disability or Good Reason as defined in Section 7(a)) or the Term of this Agreement is terminated by the Company for Cause as defined in Section 7(b) of this Agreement can be determined by precise calculation. Moreover, Partner acknowledges and recognizes that if he does not remain in the Company's employ for the entire term of this Agreement, the Company will not be receiving the full benefit of its merger with Sullivan pursuant to the Merger Agreement.

Therefore, for the purpose of liquidated damages and not as a penalty, the Partner agrees that in the case of (x) a termination of employment by the Partner (other than for death, Permanent Disability, or Good Reason as defined in Section 7(a)) or (y) termination of the Partner's employment by the Company for Cause (as defined in Section 7(b) of this Agreement), on or before the date forty-eight (48) months after the Effective Date, and in addition to the injunctive relief provided for by Section 11(a) of this Agreement, for the purpose of liquidated damages and not as a penalty, the damages caused shall be and are fixed, liquidated and determined at an amount which shall be equal to the sum of (i), (ii) and (iii) below and payable as follows:

(i) (A) if the termination date occurs on or before the first anniversary of the Effective Date of this Agreement, a payment in an amount equal to seven (7) times the Partner's SOB expectation set forth in Section 3(b) for the 1999 ("1999 SOB Expectation");

(B) if the termination date occurs after the first anniversary but on or before the second anniversary of the Effective Date of this Agreement, a payment in an amount equal to six (6) times the 1999 SOB Expectation;

(C) if the termination date occurs after the second anniversary but on or before the third anniversary of the Effective Date of this Agreement, a payment in an amount equal to four (4) times the 1999 SOB Expectation; and

(D) if the termination date occurs after the third anniversary but on or before the fourth anniversary of the Effective Date of this Agreement, a payment in an amount equal to two (2) times the 1999 SOB Expectation.

In each case, one hundred percent (100%) of the amount due shall be payable in cash, or alternatively, at the Company's option, the Partner may be permitted to pay fifty percent (50%) of the amount due in cash and fifty percent (50%) by the Partner's execution and delivery to the Company of a promissory note in the form of Exhibit C, such payment and delivery to be made within two (2) weeks of the Partner's termination of employment.

The Company agrees that the Partner may satisfy all or a portion of his obligation through the sale or other disposition of Parent Common Stock. If, as of the Partner's employment termination date, sale of all or any shares of Parent Common Stock owned by the Partner is subject to a contractual or legal restriction or limitation (including as a result of the volume limitations of Rule 144 of the Securities Exchange Act of 1934), then, at the Company's option:

(x) payment of the amount due, plus interest at eight percent (8%), compounded annually from date of termination through date of payment, shall not be required until two (2) weeks following the effective date of the waiver or elimination of all such restrictions or limitations, or

(y) the Company may accept in satisfaction of the obligation the delivery from the Partner to the Company of such number of shares, valued at the fair market value as of the date of delivery, of Parent Common Stock as shall be necessary to satisfy such obligation,

it being understood that any shortfall remaining after Partner has sold, transferred, delivered or otherwise disposed of his Parent Common Stock shall be payable in cash.

(ii) Fifty percent (50%) of the gross fee revenues derived by the Partner personally or by any entity with which the Partner becomes employed or otherwise associated (whichever is greater) from any executive search work performed or assignment obtained as a result of or in connection with Competition by the Partner with the Company as defined below during the Competition Period as defined in Section 10(b)(i) of this Agreement, including revenues paid later than the Competition Period as a result of work performed during the Competition Period, to the extent that such revenues are generated from (A) clients of Sullivan as of the Effective Date of this Agreement, (B) clients of the Company or any of its affiliates as of the Effective Date of this Agreement, or (C) clients of the Company or any of its affiliates acquired after the date of this Agreement.

(c) "Competition" by the Partner with the Company for purposes of this Section 11 shall be defined as any of the following actions taken by the Partner, directly or indirectly, either as an individual, partner, officer, director, stockholder, executive, advisor, independent contractor, joint venturer, proprietor, trustee, investor, consultant, agent, employee, representative or salesman for any person, firm, partnership, corporation or other entity, or otherwise, during the Competition Period: (i) soliciting or counseling any third person, partnership, joint venture, company, corporation, association or other organization that is or was a client (including for purposes of this clause (i) and not for purposes of clause (ii) below, any individual who is or was an employee, agent, principal, partner, officer or director of a client) of the Company, Sullivan or any of their affiliates, regardless of such person's or entity's location, to terminate any business relationship with the Company or any of its affiliates and/or to commence a similar Competing Business business relationship with any other individual or entity, or (ii) accepting, with or without solicitation, any Competing Business from any third person, partnership, joint venture, company, corporation, association or other organization that is or was a client of the Company, Sullivan or any of their affiliates, regardless of such person's or entity's location.

(d) Mandatory Arbitration. (i) General. Should any dispute arise among or between one or more of the parties to this Agreement relating to this Agreement, the interpretation of any provision hereof, or any of the rights or obligations hereunder of any of the parties to this Agreement, then at the election of any party involved in such dispute, such dispute shall be resolved finally by a single arbitrator (who, to the extent reasonably practical in accordance with the rules and procedures of the American Arbitration Association, will be a retired judge) in an arbitration proceeding conforming to the rules of the American Arbitration Association applicable to commercial arbitrations. If the arbitration proceeding would qualify as an expedited arbitration proceeding pursuant to the rules of the American Arbitration Association based on the amount in controversy, the rules applicable to expedited arbitrations shall apply.

(ii) Appointment of Arbitrator. The arbitrator shall be appointed as follows: The party not electing to submit the matter to arbitration (the "Non-Electing Party") shall provide to the other (the "Electing Party") a list of three proposed arbitrators, each of whom shall be knowledgeable as to matters that are the subject of the dispute and each of whom shall be completely independent of and with no prior affiliation or direct or indirect relationship with any party or any of their affiliates. The Electing Party shall then select the arbitrator from such list or, if all such proposed arbitrators are reasonably unacceptable to such party, so advise the Non-Electing Party, whereupon such party shall prepare a new list of three proposed arbitrators and the selection process shall begin anew.

(iii) Location of Arbitration. The arbitration shall take place in New York City, New York.

(iv) Effect of Arbitration. The decision of such arbitrator shall be final and binding upon the parties, and such decision shall be enforceable as a judgment in a court of competent jurisdiction. Other than the Company's right to seek specific performance by way of injunctive relief to enforce the provisions of Sections 8, 9 and 10 set forth in Section 11(a) of this Agreement, each party to this Agreement covenants not to institute any suit or other proceeding in any court with respect to any matter arising under or pursuant to or directly or indirectly relating to this Agreement, the subject matter hereof or the other agreements, documents and instruments delivered or required to be delivered hereunder or in connection herewith unless the intended subject matter thereof has first been submitted for arbitration in accordance with the foregoing procedure and such arbitration proceeding has been completed.

(v) Confidentiality of Arbitration. In order to maintain the confidentiality of the dispute intended to be resolved by arbitration as provided in this Agreement as well as the information adduced and contentions asserted in any such arbitration, the parties agree to maintain in strict confidence and agree to neither make nor suffer any public disclosure of the fact of, contentions or evidence, discovered, developed or introduced in and the result of any such arbitration; provided, however, the foregoing to the contrary notwithstanding, that the Company may make public disclosures regarding the existence of the arbitration, the nature of the dispute and the results thereof as may be necessary or appropriate to satisfy the Company's disclosure obligations under applicable securities or other laws, and the Partner may make such disclosures as may be necessary or appropriate to satisfy his disclosure obligations under applicable laws.

12. MISCELLANEOUS

(a) Waiver of Breach. The waiver by either party to this Agreement of a breach of any of the provisions of this Agreement by the other party shall not be construed as a waiver of any subsequent breach by such other party.

(b) Compliance With Other Agreements. Each of the parties hereto represents and warrants that the execution of this Agreement by such party and the party's performance of such party's obligations hereunder will not conflict with, result in the breach of any provision of or the termination of, or constitute a default under, any agreement to which the party is a party or by which the party is or may be bound.

(c) Binding Effect; Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. This Agreement is a personal employment contract and the rights, obligations and interests of the parties hereunder may not be sold, assigned, transferred, pledged or hypothecated.

(d) Entire Agreement. This Agreement contains the entire agreement and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by (i) the Partner, and (ii) the New York Office Managing Partner or the President-North America of the Company, together with any one of the CEO or the CAO of the Company.

(e) Headings, Etc. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. Use of the term "Partner" is for the convenience of the parties and is not intended to alter the employee-employer relationship between the Company as a corporation and the Partner as an employee of a corporation described in this Agreement.

(f) Governing Law. This Agreement shall be governed by and construed pursuant to the substantive laws of the State of New York (except that any provision of New York law shall not apply if the application of such provision would result in the application of the law of a state or jurisdiction other than New York).

(g) Venue; Process. To the extent it is necessary to resolve any disputes arising under this Agreement and the agreements, instruments and documents contemplated hereby in a court and resolution by a court is consistent with the provisions of Section 11 of this Agreement, the parties to this Agreement agree that jurisdiction and venue in any action brought pursuant to this Agreement to enforce its terms or otherwise with respect to the relationships between the parties shall lie exclusively in the Courts of New York County, New York or in the United States District Court for the Southern District of New York. The parties further agree that the mailing by certified or registered mail, return receipt requested, of any process required by any such court shall constitute valid and lawful service of process against them, without the necessity for service by any other means provided by statute or rule of court. The parties agree that they will not object that any action commenced in the foregoing jurisdictions is commenced in a forum non conveniens.

(h) Severability. Any provision of this Agreement which is determined pursuant to arbitration under Section 11 of this Agreement (or to the extent it is necessary to resolve any disputes arising under this Agreement and the agreements and instruments and documents contemplated hereby in a court and resolution by a court is consistent with the provisions of Section 11 of this Agreement, by a court of competent jurisdiction) to be prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction. In any such case, such determination shall not affect any other provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect. If any provision or term of this Agreement is susceptible to two or more constructions or interpretations, one of more of which would render the provision or term void or unenforceable, the parties agree that a construction or interpretation which renders the term or provision valid shall be favored.

(i) Notices. All notices which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given (A) when received, if personally delivered; (B) when transmitted, if transmitted by telecopy or similar electronic transmission method, with evidence of such transmission; (C) one working day after it is sent, if sent by recognized overnight delivery service; and (D) five days after it is sent, if mailed, first class mail, certified mail, return receipt requested, with postage prepaid. In each case, notice shall be sent to the following addresses (or to such other address as either party may specify by like notice to the other):

(x) if to the Company:

HEIDRICK & STRUGGLES, INC.
Sears Tower - Suite 4200
233 South Wacker Drive
Chicago, IL 60606-6303
Attn: Chief Administrative Officer

with copies to:

HEIDRICK & STRUGGLES, INC.
Sears Tower - Suite 4200
233 South Wacker Drive
Chicago, IL 60606-6303
Attn: Chief Financial Officer

and

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017-3954
Attn: Vincent Pagano, Esq.

(y) if to the Partner

At the Partner's address as set forth on the first page of this Agreement

with a copy to:

Rosenman & Cohn LLP
575 Madison Avenue
New York, New York 10022
Attn: Todd J. Emmerman, Esq.

(j) Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such Federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(k) Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

/s/ Brian M. Sullivan

Brian M. Sullivan

Heidrick & Struggles, Inc.

By: /s/ Richard D. Nelson

Title: Secretary

EXHIBIT 21.01

Heidrick & Struggles, Inc.

Heidrick & Struggles Japan, Ltd.

Heidrick & Struggles Australia, Ltd.

Heidrick & Struggles Hong Kong, Ltd.

Heidrick & Struggles Singapore Pte. Ltd.

Heidrick & Struggles (India) Private Limited

Heidrick & Struggles Canada, Inc.

Heidrick & Struggles Argentina, S.A.

Heidrick & Struggles Latin America, Inc.

Heidrick & Struggles de Chile Limitada

Heidrick & Struggles Del Peru S.A.

Heidrick & Struggles, S.A.

Heidrick & Struggles do Brasil Ltda.

Heidrick & Struggles, S.A. de C.V.

Heidrick & Struggles Unternehmensberatung GmbH

Heidrick & Struggles Espana, Inc.

Heidrick & Struggles AB

Heidrick & Struggles AS

Heidrick & Struggles OY

Heidrick & Struggles International SRL

SHPA ESOP

Stratton Management ESOP

Heidrick & Struggles Asia-Pacific, Ltd.

Heidrick & Struggles sp.zo.o

Heidrick & Struggles Consulting AG

Heidrick & Struggles s.r.o

Heidrick & Struggles BV

Heidrick & Struggles Consultores de Gestao Lda

Heidrick & Struggles Unternehmensberatung GmbH & Co. KG

Protem GmbH

JMA-JMP Anzeigenangentur GmbH

Heidrick & Struggles Uternehmensberatung Verwaltungs-GmbH

Heidrick & Struggles Ltd.

Heidrick & Struggles (Korea), Inc.

Heidrick & Struggles Far East Limited (Hong Kong)

Heidrick & Struggles Taiwan Limited

Heidrick Holdings do Brasil Ltda

Heidrick & Struggles (Proprietary) Limited

H-S Uluslariarasi Dani Manlik H Zmetler Anon M Rket

Uternehmensberatung GmbH & Co. Kg
H&S UK Limited

Stratton Management Ltd.

EXHIBIT 99.04

GlobalShare Program Amendment

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

3. Shares Subject to the Program

The total number of Shares authorized or reserved for issuance upon the exercise or issuance of all Awards under the Program and the 1998 Heidrick & Struggles GlobalShare Program I ("Program I") (herein collectively referred to as the "Overall Program"), subject to adjustments upon certain events described in Article 11 of the Program, shall not exceed an aggregate amount equal to forty percent (40%) of the highest number of Shares which are issued and outstanding from time to time during the term of the Overall Program, provided, however, that in no event will the sum of the total number of Shares authorized or reserved for issuance upon the exercise or issuance of all Awards granted under the Overall Program plus the total amount of the Company's issued and outstanding Shares exceed the number of Shares authorized for issuance under the Company's Amended and Restated Certificate of Incorporation. The aggregate maximum number of Shares for which Awards may be granted under the Overall Program during a calendar year to any Participant in either the Program or Program I shall be 275,000. The Shares may consist, in whole or in part, of authorized and unissued Shares or treasury Shares or Shares which are authorized and issued and have been acquired by or on behalf of the Company or the Overall Program and are available for Awards under the Overall Program. The issuance of Shares or the payment of cash upon the exercise of an Award shall reduce the total number of Shares available under the Overall Program, as applicable. Shares which are subject to Awards which are forfeited, terminated, or expire unexercised may be granted again under the Overall Program.

Exhibit 99.04

GlobalShare Program Amendment

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

3. Shares Subject to the Program

The total number of Shares authorized or reserved for issuance upon the exercise or issuance of all Awards under the Program and the 1998 Heidrick & Struggles GlobalShare Program II ("Program II") (herein collectively referred to as the "Overall Program"), subject to adjustments upon certain events described in Article 11 of the Program, shall not exceed an aggregate amount equal to forty percent (40%) of the highest number of Shares which are issued and outstanding from time to time during the term of the Overall Program, provided, however, that in no event will the sum of the total number of Shares authorized or reserved for issuance upon the exercise or issuance of all Awards granted under the Overall Program plus the total amount of the Company's issued and outstanding Shares exceed the number of Shares authorized for issuance under the Company's Amended and Restated Certificate of Incorporation. The aggregate maximum number of Shares for which Awards may be granted under the Overall Program during a calendar year to any Participant in either the Program or Program II shall be 275,000. The Shares may consist, in whole or in part, of authorized and unissued Shares or treasury Shares or Shares which are authorized and issued and have been acquired by or on behalf of the Company or the Overall Program and are available for Awards under the Overall Program. The issuance of Shares or the payment of cash upon the exercise of an Award shall reduce the total number of Shares available under the Overall Program, as applicable. Shares which are subject to Awards which are forfeited, terminated, or expire unexercised may be granted again under the Overall Program.

EXHIBIT 99.05

AMENDMENT NO. 1 TO HEIDRICK & STRUGGLES INTERNATIONAL, INC. RESTRICTED STOCK UNIT PLAN

This Amendment No. 1 to the Company's Restricted Stock Unit Plan is entered into as of this 6th day of March, 2001 by Heidrick & Struggles International, Inc. (the "Company").

WHEREAS, the Company has adopted the Restricted Stock Unit Plan effective as of March 6, 2000 (the "RSU Plan"); and

WHEREAS, the Compensation Committee has determined to amend the definition of "RSU Amount" in the RSU Plan to allow greater flexibility in granting restricted stock units ("RSUs") and to make a corrective amendment to Section 9.4, all as described below;

NOW, THEREFORE, the RSU Plan be, and hereby is, amended as follows:

1. The definition of "RSU Amount" in Article II is deleted and replaced with the following:

"RSU Amount" shall mean an amount computed for each Participant equal to the lesser of:

(i) ten percent (10%) of the sum of the Participant's Compensation for the Applicable Year, plus the Bonus attributable to such Applicable Year, whether paid in the Applicable Year or the calendar year of the Grant Date; or

(ii) fifty percent (50%) of the Bonus, attributable to such Applicable Year, whether paid in the Applicable Year or the calendar year of the Grant Date; or

(iii) solely for Participants who are Partners but not Directors, $25,000.

Notwithstanding the foregoing, the Committee (or any subcommittee thereof authorized by the Board of Directors) in its discretion shall have the authority at any time to grant RSUs to any Participant in an amount different than that resulting from the application of the above formula.

2. In the last line of Section 9.4, "Section 7.1(b)" is deleted and replaced with "Section 7.2."

3. This amendment shall be effective from and after the date it is approved by the Compensation Committee of the Board of Directors.

4. Capitalized terms used in this amendment shall have the same meanings ascribed to them in the RSU Plan. Except for this amendment and any and all prior amendments, the RSU Plan shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the undersigned has executed this Amendment No. 1 as of the date set forth above.

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

/s/ Stephanie W. Abramson

By: Stephanie W. Abramson
Its: Secretary

EXHIBIT 99.07

Heidrick & Struggles International, Inc.
Change in Control Severance Plan

Article 1. Establishment and Purpose

1.1 Establishment of the Plan. Heidrick & Struggles International, Inc. ("H&S") hereby establishes this change in control severance plan to be known as the "Heidrick & Struggles International, Inc. Change in Control Severance Plan" (the "Plan").

1.2 Purpose of the Plan. The Board (as defined herein) has determined that it is in the best interests of the Company (as defined herein) and its stockholders to secure the continued services, dedication and objectivity of certain key employees of the Company in the event of any threat or occurrence of a Change in Control (as defined in Section 2(j)), 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 meanings set forth below:

(a) "Age Supplement" means the number of years, if any, specified in a Participant's Participation Schedule to be added to the Participant's age for purposes of computing the amount of, and the Participant's eligibility for, benefits afforded by the Company under the Pension Plans and Welfare Benefit Plans.

(b) "Base Salary" means a Participant's highest annual rate of salary or wages, including any amounts deferred at the election of the Participant, in effect at any time during the twelve months immediately preceding such Participant's Termination Date.

(c) "Beneficiary" means the persons or entities entitled to benefits hereunder upon a Participant's death.

(d) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (or any successor rule thereto).

(e) "Benefit Continuation Period" means the period specified in a Participant's Participation Schedule during which the Benefit Plans are continued pursuant to Section 6.1(c) hereof.

(f) "Benefit Plans" means Welfare Benefit Plans and Fringe Benefits.

(g) "Board" means the Board of Directors of H&S or its successor.

(h) "Bonus Amount" means the greater of (i) the annual target bonus for the Participant as of the date immediately prior to the Change in Control or (ii) the annual average of the annual bonuses payable to the Participant, including any amounts deferred at the election of the Participant, with respect to the three calendar years preceding the Change in Control (excluding any bonus payable as a result of a Change in Control), provided that if a Participant has less than three full years of employment with the Company prior to the calendar year in which a Change in Control occurs, this clause (ii) shall equal the product of (A)(1) the aggregate annual bonuses payable to the Participant with respect to the period of employment prior to the calendar year in which a Change in Control occurs, including any amounts deferred at the election of the Participant, divided by (2) the number of full months of the Participant's employment during such period multiplied by (B) twelve (12).

(i) "Cause," when used in connection with the termination of a Participant's employment by the Company under the Plan, means (i) the willful and continued failure by the Participant substantially to perform his or her duties and obligations to the Company as in effect immediately prior to the Change in Control (other than any such failure resulting from any physical or mental condition, whether or not such condition constitutes a Disability) which failure continues after H&S has given notice thereof to the Participant which notice specifies the aspects in which the Participant has failed to perform his or her duties or obligations to the Company and sets forth specific corrective action required of the Participant or (ii) the willful engaging by the Participant in misconduct which 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 H&S.

(j) "Change in Control" means the occurrence of any of the following events:

(i) any Person (other than H&S, any trustee or other fiduciary holding securities under an employee benefit plan of H&S, or any company owned, directly or indirectly, by the stockholders of H&S in substantially the same proportions as their ownership of stock of H&S), becomes the Beneficial Owner, directly or indirectly, of securities of H&S representing 30 percent or more of the combined voting power of H&S' then-outstanding securities;

(ii) during any period of 24 months (not including any period prior to June 30, 2002), individuals who, at the beginning of such period, constitute the Board, and any new director (other than (A) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections 2(j)(i), (iii) or (iv) hereof, (B) a director nominated or proposed by any Person who has publicly announced or advised H&S 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 (C) a director nominated by any Person who is the Beneficial Owner, directly or indirectly, of securities of H&S representing 10 percent or more of the combined voting power of H&S' securities) whose election by the Board or nomination for election by H&S' stockholders was approved in advance by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the consummation of any transaction or series of transactions under which H&S is merged or consolidated with any other company (other than a merger or consolidation (x) which would result in the voting securities of H&S outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent corporation) more than 66-2/3 percent of the combined voting power of the voting securities of H&S or such surviving entity or its parent corporation outstanding immediately after such merger or consolidation, and (y) after which no Person holds 30 percent or more of the combined voting power of the then-outstanding securities of H&S or such surviving entity or its parent corporation);

(iv) the consummation of a plan of complete liquidation of H&S or of a sale or disposition by H&S of all or substantially all of H&S' assets; or

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

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, (x) H&S 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 H&S or any acquiror or successor to substantially all of the business of H&S is owned, directly or indirectly, by any entity subject to such requirements and (y) individuals (which may or may not include the Participant) who were executive officers of H&S immediately prior to the occurrence of such event, own, directly or indirectly, on a fully diluted basis, (1) 25% or more of the then outstanding shares of common stock of H&S or any acquiror or successor to substantially all of the business of H&S or (2) 25% or more of the combined voting power of the then outstanding voting securities of H&S or any acquiror or successor to substantially all of the business of H&S entitled to vote generally in the election of directors.

(k) "Company" means Heidrick & Struggles International, Inc., organized under the laws of the state of Delaware, including any and all subsidiaries, or any successor or successors thereto.

(l) "Disability" shall mean (i) 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 (ii) in the absence of such a provision for disability termination or in the absence of an employment agreement, a physical or mental incapacity of a Participant which entitles the Participant to benefits under the long term disability plan applicable to the Participant and maintained by the Company as in effect immediately prior to a Change in Control.

(m) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

(o) "Fringe Benefits" means any material fringe benefit provided to the Participant by the Company immediately prior to the Termination Date or, if more favorable to the Participant, immediately prior to the Change in Control.

(p) "Good Reason," when used with reference to a termination of a Participant's employment with the Company, shall mean, without a Participant's express written consent, the occurrence of any of the following events during the Protected Period:

(i) The assignment to the Participant of any duties inconsistent with, or the 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, except in connection with the termination of the Participant's employment by the Company for Cause or on account of Disability pursuant to the requirements of the Plan;

(ii) A 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, except in connection with the termination of the Participant's employment by the Company for Cause or on account of Disability pursuant to the requirements of the Plan;

(iii) The failure by the Company to pay the Participant any portion of his or her current compensation, or any portion of his or her compensation deferred under any plan, agreement or arrangement of or with the Company within seven (7) days of the date such compensation is due;

(iv) A change in the Participant's principal work location more than fifty (50) miles from the Participant's principal work location immediately prior to a Change in Control;

(v) 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;

(vi) (A) The failure by the Company to continue in effect any Benefit Plans (or substitute plans, programs or arrangements providing the Participant with substantially similar benefits), (B) the taking of any action, or the failing to take any action, by the Company which could (x) adversely affect the Participant's participation in, or materially reduce the Participant's benefits under, such Benefit Plans or (y) materially adversely affect the basis for computing benefits under such Benefit Plans, or (C) the failure by the Company to provide the Participant with the number of paid vacation days to which the Participant was entitled immediately prior to a Change in Control in accordance with the Company's vacation policy applicable to the Participant then in effect, except, in each case, in connection with the termination of the Participant's employment by the Company for Cause or on account of Disability pursuant to the requirements of the Plan;

(vii) The failure by the Company to afford the Participant annual bonus and long-term incentive compensation opportunities at a level which is at least equal to the level of annual bonus and long-term incentive compensation opportunities made available to the Participant immediately prior to the Change in Control;

(viii) A material increase in the required working hours of the Participant from that required prior to the Change in Control;

(ix) The failure by the Company to obtain pursuant to Section 10.1 an assumption of the obligations of the Company under the Plan by any successor to the Company; or

(x) Any other event which is expressly described in the Participant's Participation Schedule as Good Reason occurs during the Protected Period.

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

(q) "H&S" means Heidrick & Struggles International, Inc. and its successor or successors.

(r) "Non-Qualifying Termination" means a termination of a Participant's employment (i) by the Company for Cause, (ii) by the Participant for any reason other than Good Reason, or (iii) as a result of the Participant's death or Disability.

(s) "Participant" means an employee of the Company who fulfills the eligibility and participation requirements, as provided in Article 4 herein.

(t) "Participation Schedule" means the schedule evidencing the Participant's participation in the Plan.

(u) "Pension Plan" shall mean, with respect to a Participant, any employee pension plan of the Company within the meaning of Section 3(2) of ERISA in which the Participant was participating immediately prior to the Change in Control.

(v) "Person" shall have the meaning ascribed to such term in Section 3 of the Securities Exchange Act of 1934, as amended, or as such term is used for purposes of Section 13(d) or 14(d) of such Act (or any successor section thereto).

(w) "Plan" means this Heidrick & Struggles International, Inc. Change in Control Severance Plan.

(x) "Protected Period" shall mean the period beginning on the first date during the Term 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 (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change in Control or (ii) otherwise arose within six months of 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.

(y) "Restrictive Covenants" shall mean the covenants set forth in Article 11 of the Plan.

(z) "Service Supplement" means the number of years, if any, specified in a Participant's Participation Schedule to be added to the Participant's service for purposes of computing the amount of, and the Participant's eligibility for, benefits afforded by the Company under the Company's Welfare Benefit Plans and under the Company's Pension Plans that are defined benefit plans as provided in Article 6.

(aa) "Severance Factor" means the number specified in a Participant's Participation Schedule used to determine the Severance Payment payable to a Participant pursuant to Section 6.1(b) hereof.

(bb) "Severance Payment" means the benefit payable in accordance with Section 6.1(b) of the Plan.

(cc) "Term" means the period commencing on the effective date of the Plan and ending on the third anniversary of such date; provided, however, that commencing on the date one year after the effective date of the Plan, and on each anniversary of such date (such date and each annual anniversary thereof is hereinafter referred to as the "Renewal Date"), the Term shall be automatically extended with respect to a Participant so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the H&S shall give notice to such Participant that the Term shall not be so extended.

(dd) "Termination Date" shall be the effective date of a Participant's termination of employment as provided in Article 5.

(ee) "Welfare Benefit Plans" means any employee benefit plan, program or arrangement within the meaning of Section 3(1) of ERISA, in which the Participant was participating immediately prior to the Termination Date or, if more favorable to the Participant, immediately prior to the Change in Control.

(ff) "Without Cause", when used in reference to a termination of a Participant's employment with the Company, shall mean any termination of the Participant's employment by the Company which is not a termination of employment for Cause, Disability or death.

Article 3. Administration

The Plan shall be administered by the Board. The Board shall have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provisions of the Plan. The decisions of the Board shall be final and binding on all parties.

Article 4. Participation

The Board shall designate those key employees of the Company entitled to participate in the Plan; provided, that the Board may delegate to the Compensation Committee of the Board or the Chief Executive Officer of H&S the right to designate non-executive officers entitled to participate in the Plan. Each key employee so designated shall receive a Participation Schedule in substantially the form attached hereto. Such Participation Schedule shall specify: (a) the Severance Factor; (b) the Benefit Continuation Period; (c) the Age Supplement or Service Supplement, if any; (d) whether or not the Participant will be entitled to the additional payment under Section 7.2 or be subject to the limitations of Section 7.3; and (e) the additional events, if any, that constitute termination of employment for Good Reason. Notwithstanding anything in the Plan to the contrary, as a condition to participation, a Participant must execute an agreement to be bound by the Restrictive Covenants in substantially the form attached hereto, within thirty (30) days after the date of the Participant's Participation Schedule.

Article 5. Termination of Employment

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

(b) Termination of a Participant's employment for Disability shall become effective thirty (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 his or her death.

(c) A Participant may not be terminated for Cause unless and until a 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, is given to the Participant by the Board and, subsequently, a majority of the Board finds, after reasonable notice to the Participant (but in no event less than fifteen (15) days' notice) and an opportunity for the Participant and his or her counsel to be heard by the Board, 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 (5) business days after the Board gives to 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.

(d) The Company shall have the absolute right to terminate a Participant's employment Without Cause at any time by vote of a majority of the Board. Termination of the Participant's employment Without Cause shall be effective five (5) business days after the Board gives to the Participant notice thereof, specifying that such termination is Without Cause.

5.2 Termination of Employment By a Participant During the Protected Period. During the Protected Period, a Participant shall be entitled to terminate his or her employment with the Company and, if such termination is for Good Reason, to receive the benefits provided in Section 6.1 hereof. The Participant shall give H&S notice of voluntary termination of employment, which notice need specify only Participant's desire to terminate his or her 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 ten (10) business days after the Participant gives notice thereof to H&S.

Article 6. Payments Upon Termination of Employment in Certain Circumstances

6.1 Termination other than Non-Qualifying Termination. If during the Protected Period, the employment of a Participant shall terminate, other than by reason of a Non-Qualifying Termination, then H&S shall provide to such Participant the following benefits:

(a) Accrued Compensation. H&S shall pay to the Participant, within thirty (30) days following the Termination Date, a lump sum cash amount equal to the sum of (i) the full Base Salary (without regard to any reduction constituting Good Reason) earned by the Participant through the Termination Date and unpaid at the Termination Date, (ii) any bonus awards 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 times the number of months and parts thereof, from the beginning of the calendar year including the Termination Date through the Termination Date.

(b) Severance Payment. H&S shall pay to the Participant, not later than thirty (30) days following the Termination Date, a lump-sum cash Severance Payment equal to the sum of the product of the Participant's Severance Factor times the sum of (i) the Participant's Base Salary and (ii) the Participant's Bonus Amount.

(c) Benefits Continuation. H&S shall maintain in full force and effect (or otherwise provide) with respect to the Participant (and, to the extent applicable, his or her dependents) all Benefit Plans, upon the same terms and otherwise to the same extent as such Benefit Plans shall have been in effect immediately prior to the Termination Date (or, if more favorable to the Participant, immediately prior to the Change in Control), until the expiration of the Benefit Continuation Period, provided that the Participant's continued participation is possible under the general terms and provisions of such Benefit Plans. H&S and the Participant shall share the costs of the continuation of such Benefit Plans 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 the Participant's participation in any such Benefit Plan is prohibited, H&S shall arrange to provide the Participant with benefits substantially similar to those which the Participant is entitled to receive under such Benefit Plan. Each Benefit Plan continued under this Section 6(c) shall cease on the date the Participant becomes reemployed and covered under another employer's benefit plans providing the same type and level of benefits. In the event that the Participant becomes reemployed and covered under another employer's benefit plans that do not provide the same level of benefits, the benefits received under the Benefit Plans shall be offset by any benefits received from the new employer. In addition, during the Benefit Continuation Period, H&S shall provide for the Participant certain perquisites, including any car allowance, annual physical examination, and/or club membership upon the same terms and otherwise to the same extent as such perquisites were provided to the Participant immediately prior to the Termination Date (or, if more favorable to the Participant, immediately prior to the Change in Control).

(d) Pension Plan Calculation.

(i) Defined Benefit Plan. With respect to Pension Plans that are qualified defined benefit pension plans (and any related supplemental pension benefit plans, including any excess benefit plans (collectively, the "DB Pension Plans")), if any, H&S shall pay to the Participant (or his or her beneficiary upon his or her death) the excess, if any, of:

(A) the benefit the Participant (or his or her Beneficiary, as the case may be) would have been entitled to receive in the aggregate under the DB Pension Plan determined as though (i) the Participant continued to participate in the DB Pension Plan through the Termination Date and as though his or her age at the Termination Date were increased by the Age Supplement, if any, and his or her service at the Termination Date were increased by the Service Supplement, if any, and (ii) the Participant were fully vested in the accrued benefit so determined; over

(B) the benefit actually payable to the Participant (or such Beneficiary, as the case may be) under the DB Pension Plan based on his or her actual age, service and compensation through the Termination Date.

Except as specifically provided herein, such excess benefit shall be determined, and payment thereof shall commence, in accordance with the provisions, rules, and assumptions of the DB Pension Plan (assuming the Age Supplement and the Service Supplement were credited thereunder), but shall actually be paid from the general assets of H&S.

(ii) Defined Contribution Plan. With respect to Pension Plans that are defined contribution plans, H&S shall continue contributions to such plan at the same level as were made immediately prior to the date of the Change in Control for the Benefit Continuation Period as if the Participant had remained employed with the Company through the end of such period, provided that the Participant's continued participation is possible under the general terms and provisions of such plan. In the event the Participant's participation in the plan is prohibited, H&S shall pay the Participant an amount equal to such contributions in a lump-sum cash payment not later than the Termination Date from the general assets of H&S.

(e) Other Retirement Benefits. For purposes of determining the Participant's eligibility for early or other retirement benefits under the Benefit Plans, the Participant's age and service factors thereunder at the Termination Date shall be increased by the amount, if any, of the Participant's Age Supplement and the Participant's Service Supplement, respectively. H&S shall continue to provide to the Participant and, to the extent applicable, any beneficiaries and dependents, the benefits and perquisites that H&S then provides to early retirees and retirees who have a comparable age and service factor as the Participant's age and service factors, as so increased.

6.2 Non-Qualifying Termination. If during the Protected Period the employment of a Participant shall terminate by reason of a Non-Qualifying Termination, then H&S 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 thirty (30) 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, (ii) any bonus awards earned by the Participant but not yet paid or credited as a deferral at the Termination Date, and (iii) 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 Severance Payment and the other benefits described in this Article 6 shall be payable 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 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 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 Restricted Covenants contained herein. 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. Other Benefits; Additional Payments and Limitations on Payments

7.1 Accelerated Awards. This Section 7.1 shall apply to a Participant if and only if such Participant is a participant in the 1998 Heidrick & Struggles GlobalShare Program I (the "GlobalShare Program"), the performance share plan implemented pursuant to the GlobalShare

Program (the "Performance Share Plan") or the Heidrick & Struggles International, Inc. Restricted Stock Unit Plan (the "RSU Plan"), as each may be amended from time to time. In the event that a Change in Control occurs:

(a) the Participant's stock options granted under the GlobalShare Program and outstanding as of the date of the Change in Control shall vest and become fully and immediately exercisable as of such date and shall remain exercisable until their expiration, termination or cancellation pursuant to the terms of the GlobalShare Program;

(b) the Participant's restricted stock granted under the GlobalShare Program shall vest as of the date of the Change in Control;

(c) the Participant's restricted stock units granted under the GlobalShare Program or the RSU Plan shall vest as of the date of the Change in Control and H&S shall deliver to the Participant, no later than sixty (60) days following the Change in Control, for each restricted stock unit a share of common stock of H&S (or such other security, property or cash which a holder of a share of common stock would have received in the transaction resulting in the Change in Control, if any); and

(d) the Participant's target award of performance shares shall be deemed to have been earned by the Participant as of the date of the Change in Control, regardless of the attainment or nonattainment of any performance targets, and H&S shall deliver to the Participant, no later than sixty (60) days following the Change in Control, for each performance share of such Participant's target award a share of common stock of H&S (or such other security, property or cash which a holder of a share of common stock would have received in the transaction resulting in the Change in Control, if any).

7.2 Gross-Up Payment. (a) This Section 7.2 shall apply to a Participant if and only if so expressly provided in the Participant's Participation Schedule. No Payments (as such term is defined below) shall be made under this Section 7.2 on or after a Non-Qualifying Termination that constitutes a termination for any reason other than as a result of the Participant's death or Disability.

(b) Anything in the Plan to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by H&S to or for the benefit of the Participant, whether paid or payable or distributed or distributable 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, are hereinafter collectively referred to as the "Excise Tax"), then the Participant shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income or payroll taxes and Excise Tax imposed upon the Gross-Up Payment, the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(c) Subject to the provisions of Section 7.2(d), H&S shall cause all determinations required to be made under this Section 7, 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 H&S' independent auditors immediately prior to the Change in Control (the "Accounting Firm"). H&S shall cause the Accounting Firm to make such determination within fifteen business days after request therefor by notice from the Participant or H&S to such Firm and to the other party hereto. In making such determination with respect to any matter which is uncertain, H&S shall cause the Accounting Firm to adopt the position which it believes more likely than not would be adopted by the Internal Revenue Service. H&S shall cause the Accounting Firm to provide detailed supporting calculations with respect to its determination both to H&S and the Participant within such fifteen business day period. All fees and expenses of the Accounting Firm shall be borne solely by H&S. In making the determinations required by this Section, the Accounting Firm may rely on a benefit consultant, selected by it, as to whether any of the payments or benefits provided for in Article 6 hereof are "reasonable compensation for personal services actually rendered" within the meaning of Section 280G(b)(4) of the Code. The Initial Gross-Up Payment, if any, as determined pursuant to this Section 7.2(c), shall be paid by H&S to the Participant within five days of the receipt by H&S of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Participant, H&S shall cause the Accounting Firm to furnish the Participant with a written opinion that failure to report the Excise Tax on the Participant's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be final, binding and conclusive upon H&S and the Participant, except as provided in the following sentences of this Section 7.2(c). As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by H&S should have been made (an "Underpayment") or that Gross-Up Payments which have been made by H&S should not have been made (an "Excess Gross-Up Payment"), consistent with the calculations required to be made hereunder. Either party hereto can request a redetermination by the Accounting Firm. An Underpayment can result from a claim by the Internal Revenue Service or from a determination by the Accounting Firm. In the event that the Internal Revenue Service makes a claim and H&S exhausts its remedies pursuant to Section 7.2(d) and the Participant thereafter is required to make a payment of any Excise Tax, H&S shall cause the Accounting Firm to promptly determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by H&S to or for the benefit of the Participant. An Excess Gross-Up Payment can result from a determination by the Internal Revenue Service or the Accounting Firm. If the Accounting Firm makes an Excess Gross-Up Payment determination, H&S shall cause the Accounting Firm to furnish the Participant with a written opinion that the basis for its determination would be accepted by the Internal Revenue Service and that the Participant has a right to a refund of taxes or credit against taxes with respect to the Excess Gross-Up Payment. The Participant shall promptly repay to H&S an amount equal to the reduction in aggregate taxes due by the Participant resulting from such determination by the Internal Revenue Service or the Accounting Firm, provided that the Participant shall only be required to repay any portion of such amount that had been paid to the Internal Revenue Service to the extent that and when the Participant receives a refund from the Internal Revenue Service (or is entitled and able to utilize such amount as a credit against other taxes due).

(d) The Participant shall notify H&S in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by H&S of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Participant is informed in writing of such claim and shall apprise H&S of the nature of such claim and the date on which such claim is requested to be paid. The Participant shall not pay such claim prior to the expiration of the 30-day period following the date on which the Participant gives such notice to H&S (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If H&S notifies the Participant in writing prior to the expiration of such period that it desires to contest such claim, the Participant shall:

(i) Give H&S information reasonably requested by H&S relating to such claim,

(ii) Take such action in connection with contesting such claim as H&S shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by H&S,

(iii) Cooperate with H&S in good faith in order effectively to contest such claim, and

(iv) Permit H&S to participate in any proceedings relating to such claim;

provided, however, that H&S shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Participant harmless, on an after-tax basis, for any taxes, including, without limitation, any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 7.2(d), H&S shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Participant to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Participant agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as H&S shall determine; provided, however, that if H&S directs the Participant to pay such claim and sue for a refund, H&S shall advance the amount of such payment to the Participant, on an interest-free basis and shall indemnify and hold the Participant harmless, on an after-tax basis, from any taxes, including, without limitation, any Excise Tax or income or payroll taxes, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Participant with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, H&S' control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Participant shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(e) If, after the receipt by the Participant of an amount advanced by H&S pursuant to Section 7.2(d), the Participant becomes entitled to receive any refund with respect to such claim, the Participant shall (subject to H&S' complying with the requirements of Section 7.2(d)) promptly pay to H&S the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Participant of an amount advanced by H&S pursuant to Section 7.2(d), a determination is made that the Participant shall not be entitled to any refund with respect to such claim and H&S does not notify the Participant in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7.3 Limits on Payments By H&S. (a) This Section 7.3 shall apply to a Participant if and only if so expressly provided in the Participant's Participation Schedule. In the event that the Participant's Participation Schedule provides for the application of this Section 7.3 at the election of the Participant, such election must be made by the Participant as soon as practicable but in any event no later than ten business days after the Participant is informed of the Accounting Firm's determination that any payment or benefit provided for under Article 6 constitutes an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code that would be subject to Excise Tax in accordance with Section 7.3(b) below.

(b) The payments or benefits provided for in Article 6 hereof shall be reduced to the extent and only to the extent necessary to avoid any payment or benefit provided for under Article 6 from constituting an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code, that would be subject to Excise Tax. H&S shall cause the Accounting Firm to determine whether any such reduction shall be required pursuant to this Section 7.3 and, if any such reduction is required, to reduce payments or benefits in the order specified by the Participant to the extent necessary to satisfy the requirements of the first sentence of this Section. All determinations of the Accounting Firm shall be binding on H&S and the Participant. H&S shall cause the Accounting Firm to determine that payments or benefits shall be reduced only to the extent that it is more likely than not that such payments or benefits, if not reduced, would be "excess parachute payments" (as referred to above) subject to Excise Tax. In making the determinations required by this Section, the Accounting Firm may rely on a benefit consultant, selected by it, as to whether any of the payments or benefits provided for in Article 6 hereof are "reasonable compensation for personal services actually rendered" within the meaning of Section 280G(b)(4). H&S hereby agrees to pay all fees and expenses of the Accounting Firm and shall indemnify and hold the Accounting Firm harmless from any and all cost, expense, liability or damage arising out of any determinations made by the Accounting Firm pursuant to this Section.

7.4 Indemnification. H&S 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 H&S to the maximum extent permitted by applicable law and H&S' Certificate of Incorporation and By-Laws (the "Governing Documents"), provided that in no event shall the protection afforded to the Participant hereunder be less than that afforded under the Governing Documents as in effect immediately prior to the Change in Control.

Article 8. Withholding Taxes

H&S 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, H&S is required to withhold therefrom.

Article 9. H&S' Payment Obligation; No Mitigation

9.1 Payment Obligations are Absolute. H&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 H&S 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 H&S hereunder shall be paid without notice or demand. Each and every payment made hereunder by H&S shall be final, and H&S shall not seek to recover all or any part of such payment from Participants or from whomsoever may be entitled thereto.

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 H&S' obligations to make the payments and arrangements required to be made under the Plan, except to the extent expressly provided in Section 6.1(c).

9.2 Contractual Rights to Benefits. The Plan, together with a Participation Schedule, establishes and vests in each Participant a contractual right to the benefits to which he is entitled hereunder.

Article 10. Successors and Assignment

10.1 Successors to H&S. H&S will 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 H&S to expressly assume and agree to perform H&S' obligations under the Plan. Failure of H&S 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 resign 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 participation, a Participant shall agree within thirty (30) days after the date of the Participant's Participation Schedule:

(i) for one (1) 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 (2) years prior to such termination;

(ii) for one (1) year after the Participant's Termination Date, the Participant will 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 (2) years prior to such termination;

(iii) for six (6) months after the Participant's Termination Date, with respect to the 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 (1) year after the Participant's Termination Date, the Participant may not directly or indirectly solicit or hire, or assist any other person in soliciting or hiring, any employee of the Company (as of the Participant's Termination Date) or any person who, as of the Participant's Termination Date, was in the process of being recruited by the Company or induce any such employee to terminate his or her or her employment with the Company.

(b) The Restrictive Covenants are in addition to any rights H&S may have in law or at equity or under any other agreement.

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

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 subparagraph (d) of this Article 12 and (ii) has had substantial experience in mergers and acquisitions. H&S 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

H&S agrees to 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 H&S 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 US 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. Trusts; Unfunded Status of Plan

14.1 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, H&S may establish a trust or purchase other property to assist it in meeting its obligations hereunder as set forth in Section 14.2 below; provided, however, that in no event shall any Participant have any interest in such trust or property other than as an unsecured general creditor.

14.2 Creation of Trusts. The Board may, in its discretion, authorize the creation of one or more trusts (including sub-accounts under such trust(s)), and deposit therein amounts of cash, stock, or other property not exceeding the amount of H&S' obligations with respect to the Plan, or make other arrangements to meet H&S' obligations under the Plan, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan.

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. 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.

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

15.4. 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.

15.5. 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.

15.6. 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.

15.7 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 (5) days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows:

If to H&S:

Heidrick & Struggles International, Inc.
245 Park Avenue
New York, NY 10167
Attention: General Counsel

If to a Participant, to the Participant's address as indicated on the Participant's Participation Schedule,

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.

15.8 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 H&S during the Protected Period, each such entity shall be jointly and severally liable together with H&S for the obligations of H&S to the Participant hereunder.

15.9 Effective Date. The effective date of this Plan is December 12, 2001.

EXHIBIT 99.08

HEIDRICK & STRUGGLES INTERNATIONAL, INC.
DIRECTOR DEFERRED FEE PLAN

1. Purpose. The purpose of the Heidrick and Struggles International, Inc. Director Deferred Fee Plan (the "Plan") is to provide non-employee directors of the Company with the opportunity to defer taxation of such director's fees and to provide such directors with an equity interest in the Company.

2. Definitions. The following terms when used herein with initial capital letters shall have the following respective meanings unless the text clearly indicates otherwise:

(a) Affiliate. "Affiliate" shall mean any entity (whether or not incorporated) which, by reason of its relationship with the Company, is required to be aggregated with the Company under Section 414(b), 414(c) or 414(o) of the Internal Revenue Code of 1986, as amended, and any joint venture or partnership 10% or more of the profits or capital interest of which is owned by the Company or an Affiliate.

(b) Beneficial Owner. "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (or any successor rule thereto).

(c) Board of Directors. "Board of Directors" means the Board of Directors of the Company.

(d) Change in Control. "Change in Control" shall have the meaning assigned in Section 8 hereof.

(e) Common Stock. "Common Stock" means the common stock of the Company or any security or other property (including cash) into which such Common Stock may be changed by reason of: (i) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (ii) any merger, consolidation, separation, reorganization or partial or complete liquidation, or (iii) any other corporate transaction or event having an effect similar to any of the foregoing.

(f) Common Stock Account. "Common Stock Account" means the bookkeeping account established and maintained under this Plan which is credited with Common Stock in accordance with Section 5 hereof. Within each Common Stock Account, the Company shall maintain a subaccount reflecting the Fees deferred from a specific calendar year.

(g) Company. "Company" means Heidrick & Struggles International, Inc., a Delaware corporation, and its successors.

(h) Director. "Director" means a member of the Board of Directors who is not an employee of the Company or any of its Affiliates.

(i) Fair Market Value. "Fair Market Value" of a share of Common Stock, as of any date, means the arithmetic mean of the high and low prices of the Common Stock as reported on such date on the composite tape of the principal national securities exchange on which such Common Stock is listed or admitted to trading, or, if no composite tape exists for such national securities exchange on such date, then on the principal national securities exchange on which such common stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted on a national securities exchange, the arithmetic mean of the per share closing bid price and per share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or, if there is no market on which the Common Stock is regularly quoted, the Fair Market Value shall be the value established by the Board of Directors in good faith. If no sale of Common Stock shall have been reported on such composite tape or such national securities exchange on such date or quoted on the National Association of Securities Dealer Automated Quotation System on such date, then the immediately preceding date on which sales of the Common Stock have been so reported or quoted shall be used.

(j) Fees. "Fees" means the compensation payable to a Director for his or her services as a Director.

(k) Person. "Person" shall have the meaning ascribed to such term in Section 3 of the Securities Exchange Act of 1934, as amended, or as such term is used for purposes of Section 13(d) or 14(d) of such Act (or any successor section thereto).

(l) Plan. "Plan" means the plan set forth in this instrument, and known as the "Heidrick & Struggles International, Inc. Director Deferred Fee Plan," as adopted at the meeting of the Board of Directors held December 12, 2001.

3. Eligibility. A Director shall become a participant in the Plan upon the later of the effective date of the Plan or the date such individual becomes a Director.

4. Deferred Compensation. With respect to any Director, the Company shall defer payment of all Fees payable by the Company to such Director with respect to each year starting on and after the effective date of the Plan as set forth herein.

5. Deferral Accounts.

(a) Amount of Deferrals. The amount of a Director's Fees deferred pursuant to Section 4 above shall be automatically credited to the Common Stock Account so specified in Section 5(b) and shall not otherwise be paid to such Director except as provided in Sections 6, 8 and 11 hereof. Deferred Fees cannot be transferred except as otherwise provided herein.

(b) Common Stock Account. Each Director's Common Stock Account shall be credited with that quantity of Common Stock equal to the number of full and fractional shares of Common Stock (to the nearest thousandth) which could have been purchased by the Director with the Fees based on the Fair Market Value of such underlying shares of Common Stock on the date immediately preceding the date of the annual meeting of the Company in the year to which such Fees relate.

6. Payment of Deferred Compensation. Subject to Section 8 hereof, with respect to Fees deferred from a specified calendar year, the Company shall pay to each Director in shares of Common Stock the number of whole shares of Common Stock (with any fractional shares to be paid in cash based on the Fair Market Value of the Common Stock on the date of payment) credited to the subaccount of the Director's Common Stock Account for that calendar year as soon as practicable after the earlier of (a) the third anniversary of the date of the annual meeting of the Company in the year to which such Fees relate, or (b) the first business day on which such person ceases to be a Director. If a Director dies before all amounts credited to his Common Stock Account have been distributed to him or her, the Company shall pay to the Director's beneficiary or beneficiaries, in shares of Common Stock, the number of whole shares of Common Stock (with any fractional shares to be paid in cash based on the Fair Market Value of the Common Stock on the date of payment) credited to such Director's Common Stock Account as soon as practicable after the Director's death.

7. Beneficiaries. A Director may, by executing and delivering a beneficiary election form to the Secretary of the Company prior to the Director's death, designate a beneficiary or beneficiaries to whom distribution of his or her interest under this Plan shall be made in the event of his or her death prior to the full receipt of his or her interest under this Plan, and he or she may designate the portions to be distributed to each such designated beneficiary if there is more than one. Any such designation may be revoked or changed by the Director at any time and from time to time by filing, prior to the Director's death, with the Secretary of the Company, an executed beneficiary election form. If the Director fails to designate a beneficiary, the beneficiary will be the estate of the Director.

8. Change in Control. In the event of a Change in Control, the Company shall pay to each Director in shares of Common Stock the number of whole shares of Common Stock (with any fractional shares to be paid in cash based on the Fair Market Value of the Common Stock on the date of the Change in Control) credited to such Director's Common Stock Account on the date of such Change in Control, or as soon as practicable thereafter. For purposes of this Plan, "Change in Control" shall mean the occurrence of any 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, directly or indirectly, of securities of the Company representing 30 percent or more of the combined voting power of the Company's then-outstanding securities;

(b) during any period of 24 months (not including any period prior to June 30, 2002), individuals who, at the beginning of such period, constitute the Board of Directors, 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

8(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 percent or more of the combined voting power of the Company's securities) whose election by the Board of Directors 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 percent 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 percent 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 of 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 of Directors determines, in its discretion, to be a Change in Control.

Notwithstanding the foregoing, a Change in Control shall not occur with respect to the Director by reason of any event which would otherwise constitute a Change in Control if, immediately after the occurrence of such event, (i) 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 (ii) individuals (which may or may not include the Director) who were executive officers of the Company immediately prior to the occurrence of such event, own, directly or indirectly, on a fully diluted basis, (A) 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 (B) 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.

9. Non-Assignability. Neither a Director nor any beneficiary designated by him or her shall have any right to, directly or indirectly, alienate, assign or encumber any amount that is or may be payable hereunder.

10. Governing Law. To the extent not preempted by federal law, the provisions of this Plan shall be interpreted and construed in accordance with the laws of Illinois.

11. Effective Date. This Plan shall become effective on December 12, 2001. The Board of Directors may amend, suspend or terminate the Plan at any time; provided that no such amendment, suspension or termination shall adversely affect the amounts in any then-existing Common Stock Account. Upon termination of the Plan, the Company shall pay to each Director in shares of Common Stock the number of whole shares of Common Stock (with any fractional shares to be paid in cash based on the Fair Market Value of the Common Stock on the date of termination of the Plan) credited to such Director's Common Stock Account on the date of such termination or as soon as practicable thereafter.

12. Unfunded Plan. This Plan shall be unfunded. Amounts payable hereunder shall be paid from the general assets of the Company. The Company may establish a trust pursuant to a trust agreement and make contributions thereto for the purpose of assisting the Company in meeting its obligations in respect of benefits payable under the Plan. Any such trust agreement shall contain procedures to the following effect:

(a) In the event of the insolvency of the Company, the trust fund will be available to pay the claims of any creditor of the Company to whom a distribution may be made in accordance with state and federal bankruptcy laws. The Company shall be deemed to be "insolvent" if the Company is subject to a pending proceeding as a debtor under the federal Bankruptcy Code (or any successor federal statute) or any state bankruptcy code. In the event the Company becomes insolvent, the Board of Directors and chief executive officer of the Company shall notify the trustee of that event as soon as practicable. Upon receipt of such notice, or if the trustee receives other written allegation of the Company's insolvency, the trustee shall cease making payments of benefits from the trust fund, shall hold the trust fund for the benefit of the Company's creditors, and shall take such steps as are necessary to determine within thirty (30) days whether the Company is insolvent. In the case of the trustee's actual knowledge of or other determination of the Company's insolvency, the trustee will deliver assets of the trust fund to satisfy claims of the Company's creditors as directed by a court of competent jurisdiction; and

(b) The trustee shall resume payment of benefits under the trust agreement only after the trustee has determined that the Company is not insolvent (or is no longer insolvent, if the trustee had previously determined the Company to be insolvent) or upon receipt of an order of a court of competent jurisdiction requiring such payment. If the trustee discontinues payment of benefits pursuant to paragraph (a) of this Section 12 and subsequently resumes such payment, the first payment on account of a Director following such discontinuance shall include an aggregate amount equal to the difference between the payments which would have been made on account of such Director under the trust agreement and the aggregate payments actually made on account of such Director by the Company during any such period of discontinuance, plus interest on such amount at a rate equivalent to the net rate of return earned by the trust fund during the period of such discontinuance.

EXHIBIT 99.09

HEIDRICK & STRUGGLES INTERNATIONAL INC.
233 South Wacker Drive, Suite 4200
Chicago IL 60606-6303

March 28, 2002

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0408

Ladies and Gentlemen:

This letter is written pursuant to Temporary Note 3T to Article 3 of Regulation S-X. Heidrick & Struggles International, Inc. (the "Company") has received a representation letter from Arthur Andersen LLP ("Andersen") stating that the audit of the consolidated balance sheets of the Company and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2001, was subject to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards, and that there was appropriate continuity of Andersen personnel working on the audit and availability of national office consultation to conduct the relevant portions of the audit.

Very truly yours,

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

By: /s/ Kevin J. Smith

Kevin J. Smith,
Chief Financial Officer