

HEIDRICK & STRUGGLES INTERNATIONAL INC

Form DEF 14A

April 21, 2008

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**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

**Heidrick & Struggles International, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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.. Fee paid previously with preliminary materials.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS  
AND  
PROXY STATEMENT**

**DATE:** May 22, 2008  
**TIME:** 9:00 a.m. Eastern Daylight Time  
**PLACE:** InterContinental The Barclay New York Hotel

111 E. 48<sup>th</sup> Street

New York, NY 10017

April 21, 2008

Greetings to the stockholders of Heidrick & Struggles International, Inc. I am pleased to invite you to attend our Annual Meeting of Stockholders.

The meeting will be held on May 22, 2008 at 9:00 a.m. Eastern Daylight Time at the InterContinental The Barclay New York Hotel, located at 111 E. 48<sup>th</sup> Street, New York, NY 10017.

The Notice of Annual Meeting of Stockholders accompanying this letter describes the business we will be transacting at the meeting.

Whether or not you plan to attend the Annual Meeting in person, I urge you to sign and date the enclosed Proxy Card and return it as soon as possible so that your shares will be represented at the meeting. The vote of every stockholder is important!

I look forward to seeing you on May 22nd.

Sincerely,

L. Kevin Kelly

*Chief Executive Officer*

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**HEIDRICK & STRUGGLES INTERNATIONAL, INC.**

**233 South Wacker Drive, Suite 4200**

**Chicago, Illinois 60606-6303**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**DATE:** May 22, 2008  
**TIME:** 9:00 a.m. Eastern Daylight Time  
**PLACE:** InterContinental The Barclay New York Hotel

111 E. 48<sup>th</sup> Street

New York, NY 10017

Dear Stockholders:

At our Annual Meeting, we will ask you to:

- I. Elect four (4) directors to serve on the Board of Directors until the Annual Meeting in 2011;
- II. Ratify our selection of KPMG LLP as the Company's independent registered public accounting firm for 2008; and

III. Transact any other business that may properly come before the Annual Meeting, or any adjournment of the Annual Meeting. If you were a stockholder of record at the close of business on April 4, 2008, you are entitled to vote at the Annual Meeting or any adjournment of the meeting. A stockholder list will be available at our principal executive offices located at 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606, beginning April 18, 2008 during normal business hours, for examination by any stockholder registered on our stock ledger as of April 4, 2008, for any purpose germane to the Annual Meeting.

Your attention is called to the accompanying Proxy Card and Proxy Statement. A copy of our Annual Report to Stockholders (including our Annual Report on Form 10-K) for the year ended December 31, 2007 is also enclosed.

Sincerely,

K. Steven Blake

*Secretary*

**YOUR VOTE IS IMPORTANT.** Whether or not you plan to attend the Annual Meeting in person, please sign and return the Proxy Card in the enclosed postage prepaid envelope so your shares may be voted.

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**VOTING INFORMATION**

*Proxy Solicitation.* The Board of Directors is furnishing you with this Proxy Statement in connection with the solicitation of your proxy for the Annual Meeting of Stockholders to be held on May 22, 2008 and at any adjournment thereof. This solicitation is being made by mail. The Company may also use its officers and other employees to solicit proxies from stockholders, personally or by telephone, facsimile, letter or electronic mail. The Company will pay all costs associated with the solicitation of proxies. If the Company requests nominees and brokers to solicit their principals and customers for their proxies, it will reimburse the nominees and brokers for their reasonable out-of-pocket expenses.

*Annual Meeting of Stockholders.* The Annual Meeting of Stockholders will be held on May 22, 2008 at 9:00 a.m. Eastern Daylight Time at the InterContinental The Barclay New York Hotel located at 111 E. 48<sup>th</sup> Street New York, New York 10017. If you need directions to the Annual Meeting, please contact Julie Creed, VP, Investor Relations at 1-312-496-1200. This Proxy Statement is first being mailed on or about April 21, 2008 to Company stockholders entitled to notice of, and to vote at, the Annual Meeting.

*Record Date.* Each share of Company common stock that you owned as of April 4, 2008, the record date for the Annual Meeting, entitles you to one vote. On April 4, 2008 there were 17,192,933 shares of Company common stock outstanding.

*Quorum.* A quorum of stockholders is necessary for the Company to hold a valid meeting. If at least a majority of the Company's common stock is present in person or by proxy, a quorum will exist. The inspector of election appointed for the Annual Meeting will determine whether a quorum is present. Abstentions and broker non-votes are counted as present to establish a quorum. A broker non-vote occurs when a broker or other record holder does not vote on some matters presented at the meeting because the broker or other record holder does not have discretionary voting authority with respect to that matter and has not received voting instructions from the beneficial owner on those matters.

*Voting.* You may vote on the proposals presented at the Annual Meeting in one of two ways:

By Proxy: You can vote your shares by signing, dating and returning the enclosed Proxy Card. If you do this, the individuals named on the card will vote your shares in the manner you indicate and in their discretion on any other matters that may properly come before the meeting. You may specify on your Proxy Card how you would like your shares voted. If you do not indicate instructions on the card, your shares will be voted *for* the election of each individual nominated for director under Proposal I and *for* the ratification of the Board of Directors' selection of KPMG LLP as the Company's independent registered accounting firm for 2008 under Proposal II; or

In Person: You may come to the Annual Meeting and cast your vote.

If you grant the Company a proxy, you may revoke your proxy at any time before it is exercised by (1) sending notice to the Company Secretary at the Company's principal executive offices in writing; (2) providing to the Company a later-dated proxy; or (3) attending the Annual Meeting in person and voting your shares. Merely attending the Annual Meeting, without further action, will not revoke your proxy.

If your broker holds your shares in its name, the broker is permitted to vote your shares for the election of each nominee for director and for the ratification of the Board of Directors' selection of KPMG LLP, even if the broker does not receive voting instructions from you. If your broker does receive voting instructions from you, it must vote in accordance with these instructions.

The inspector of election appointed for the Annual Meeting will tabulate votes.

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*Required Vote.* Pursuant to the Company's Amended and Restated Bylaws, directors are elected by a plurality vote. This means that with respect to Proposal I, the four (4) director nominees receiving the highest number of votes cast FOR their election will be elected. Proposal II requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote thereon at the Annual Meeting.

Votes withheld and abstentions are deemed present at the Annual Meeting and are counted for quorum purposes but are not counted for purposes of election of directors (Proposal I) and, with respect to Proposal II, will have the same effect as a vote against the matter.

*Majority Vote Policy.* The Company's Corporate Governance Guidelines provide that, in any uncontested election, any nominee for Director who does not receive a majority of votes cast FOR his or her election is required to tender his or her resignation promptly following the failure to receive the required vote. The Corporate Governance Guidelines require the Nominating and Board Governance Committee of the Board of Directors to make recommendations to the Board with respect to any such resignation. The Board is required to take action with respect to this recommendation and to disclose its decision-making process. Full details of this policy are set out in the Company's Corporate Governance Guidelines under Practices (Resignation for Majority Withheld Vote), a copy of which is included in the Corporate Governance section of the Company's website at: <http://www.heidrick.com>.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 22, 2008.**

The Proxy Statement and the Company's Annual Report are available at <http://phx.corporate-ir.net/phoenix.zhtml?c=91196&p=proxy>



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**DESCRIPTION OF THE COMPANY'S CAPITAL STOCK**

The Company's Amended and Restated Certificate of Incorporation provides for its authorized capital stock to consist of 100,000,000 shares of common stock, \$.01 par value per share, of which 17,192,933 shares were issued and outstanding on April 4, 2008 and 10,000,000 shares of preferred stock, \$.01 par value per share, none of which have been issued. The Company's common stock is included for quotation on the NASDAQ Stock Market under the symbol HSII.

Each stockholder is entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock do not have cumulative voting rights. Holders of common stock are entitled to receive dividends if and when dividends are declared by the Board of Directors and out of funds legally available, after the required dividends are paid on outstanding preferred stock, if any. On September 19, 2007 the Board of Directors approved the initiation of a quarterly cash dividend in the amount of \$0.13 per share. In the event of the Company's liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, accrued but unpaid dividends and liquidation preferences on any outstanding preferred stock. The shares of common stock have no preemptive or conversion rights and are not subject to the Company's further calls or assessment. There are no redemption or sinking fund provisions applicable to the common stock.

**Table of Contents****PROPOSAL I****ELECTION OF CLASS I DIRECTORS**

The Board of Directors currently has nine members, two of whom are Company employees and seven of whom are non-employees.

The Board of Directors is divided into three classes (Classes I, II, and III) for purposes of election. The Company's Amended and Restated Certificate of Incorporation calls for each class to consist, as nearly as possible, of one-third of the total number of directors that make up the Board of Directors. Typically, one class is elected at each Annual Meeting of Stockholders to serve for a three-year term. The Board of Directors recommends that four directors be elected at the Annual Meeting as Class I directors to hold office for a three-year term expiring in 2011. Directors who are not standing for election this year will continue in office for the remainder of their respective terms.

The Board of Directors has recommended and nominated each of the following persons to be reelected to the Board of Directors as Class I directors with terms expiring in 2011: **Messrs. L. Kevin Kelly, Robert E. Knowling, Jr., Gerard R. Roche and V. Paul Unruh.**

The enclosed Proxy will be voted **FOR** the election of each of the four nominees unless it is marked to withhold authority to vote for one or more of the nominees. Proxies cannot be voted for more than four nominees.

If any nominee ceases to be a candidate for election for any reason, the Proxy will be voted for a substitute nominee designated by the Company's Board of Directors. The Board of Directors currently has no reason to believe that any nominee will not remain a candidate for election as a director or will be unwilling to serve as a director if elected.

Below is certain information about each director nominee and each director whose term of office will continue after the Annual Meeting. There are no family relations among any directors, executive officers, or persons nominated to become a director.

**NOMINEES FOR ELECTION AS CLASS I DIRECTORS****(Directors with Terms Expiring in 2011)**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Employment History</b>	<b>Director Since</b>
L. Kevin Kelly	42	Mr. Kelly has served as the Company's Chief Executive Officer since September 2006. Prior to that, Mr. Kelly served as President of the Company's Europe, Middle East, and Africa (EMEA) and Asia Pacific regions. From 2002 to 2005, he was Regional Managing Partner, Asia Pacific, and he also led the Company's Tokyo office during 2002. He joined Heidrick & Struggles in 1997.	09/2006
Robert E. Knowling, Jr.	52	Mr. Knowling has served as Chief Executive Officer of Telwares Communications, LLC (formerly Vercuity Solutions, Inc.) since April 2005. From January 2002 to April 2005, Mr. Knowling was Chief Executive Officer of the New York City Leadership Academy. From February 2001 to January 2003, Mr. Knowling was Chairman and Chief Executive Officer of Simdesk Technologies, Inc. Mr. Knowling serves on the boards of directors of Aprimo, Incorporated, Ariba, Inc., and The Bartech Group.	09/2000
Gerard R. Roche	76	Mr. Roche has been our Senior Chairman since the merger of Heidrick & Struggles, Inc. into Heidrick & Struggles International, Inc. in 1999 (the Merger) and was acting Chief Executive Officer from April 2003 until June 2003. Mr. Roche joined Heidrick & Struggles, Inc. in 1964 and was a member of the Board of Directors of Heidrick & Struggles, Inc. from 1970 until the Merger. Mr. Roche has been a member of the Board of Directors since the Merger.	02/1999
V. Paul Unruh	59	Mr. Unruh is the former Senior Vice Chairman of Bechtel Group, Inc. Mr. Unruh retired from Bechtel in 2003 after more than 25 years of service to the company. Mr. Unruh held numerous leadership positions at Bechtel, including President of Bechtel Enterprises from 1997 to 2001, Chief Financial Officer from 1992 to 1996, Controller from 1987 to 1991, Treasurer from 1983 to 1986 and Manager of Financial Systems Development from 1978 to 1982. Mr. Unruh serves on the boards of directors of Move, Inc. and Symantec Corporation.	07/2004

**Table of Contents****CLASS II DIRECTORS****(Directors with Terms Expiring in 2010)**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Employment History</b>	<b>Director Since</b>
Richard I. Beattie	69	Mr. Beattie has served as Chairman of Simpson Thacher & Bartlett LLP, an international law firm, since 2004. From 1991 until 2004, Mr. Beattie was Chairman of the Executive Committee of Simpson Thacher & Bartlett and has practiced law at the firm since 1968. Mr. Beattie serves on the board of directors of Harley-Davidson, Inc.	03/2002
Antonio Borges	58	Mr. Borges has served as Vice Chairman of Goldman Sachs International since 2000. From 1993 to 2000, Mr. Borges was Dean of INSEAD, widely recognized as among the world's top-tier business schools. Mr. Borges serves on the boards of directors of Caixa Seguros, CNP Assurances, Jeronimo Martins SGPS, S.A., and Scor S.A.	04/2004
John A. Fazio	64	Mr. Fazio is a former Senior General Practice Partner of PricewaterhouseCoopers. Mr. Fazio retired from PricewaterhouseCoopers in 2000 following 35 years of service to the global accounting and professional services company. A Certified Public Accountant and a Certified Management Accountant, Mr. Fazio held a variety of senior positions in accounting, auditing, consulting, and administration at PricewaterhouseCoopers. Mr. Fazio serves on the board of directors of Sequenom, Inc.	09/2003

**CLASS III DIRECTORS****(Directors with Terms Expiring in 2009)**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Employment History</b>	<b>Director Since</b>
Gary E. Knell	54	Mr. Knell has served as President and Chief Executive Officer of Sesame Workshop (formerly known as Children's Television Workshop) since 2000. From 1998 to 2000, Mr. Knell was Chief Operations Officer of Children's Television Workshop. From 1996 to 1997, Mr. Knell was President and Managing Director of Manager Media International. From 1989 to 1996, Mr. Knell was Executive Vice President for Corporate Affairs at Children's Television Workshop. From 1982 to 1989, Mr. Knell was Senior Vice President and General Counsel of WNET/THIRTEEN. From 1978 to 1981, he was Counsel to the United States Senate Judiciary Subcommittee on Administrative Practice and Procedure and the Governmental Affairs Subcommittee on Intergovernmental Relations. From 1976 to 1977, he was the legal assistant to the Governor of California. Mr. Knell serves on the boards of directors of AARP Services, Inc., American Public Television, Business For Diplomatic Action, and Save the Children, and the board of governors of National Geographic Education Foundation.	09/2007
Jill Kanin-Lovers	56	Ms. Kanin-Lovers is the former Senior Vice President for Human Resources and Workplace Management of Avon Products, Inc., where she held that position from 1998 to 2004. Previously, Ms. Kanin-Lovers held executive-level positions in human resources at International Business Machines Corporation from 1995 to 1998 and American Express Company from 1992 to 1995. Prior to that, Ms. Kanin-Lovers worked at Towers Perrin for 17 years, leaving that company in 1992 as a Vice President and Principal. Ms. Kanin-Lovers serves on the boards of directors of BearingPoint Inc., Dot Foods, Inc. and First Advantage Corporation.	06/2004

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF L. KEVIN KELLY, ROBERT E. KNOWLING, JR., GERARD R. ROCHE AND V. PAUL UNRUH TO THE BOARD OF DIRECTORS.**



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**CORPORATE GOVERNANCE**

*Board of Directors and Stockholder Meetings.* The Board of Directors met seven times during 2007. Each of the directors attended at least 75 percent of the meetings of the Board and the committees of which he or she was a member. It is the Company's policy to encourage the directors to attend the Annual Meetings of Stockholders unless circumstances impair their ability to do so. Eight of the Company's directors attended the 2007 Annual Meeting of Stockholders.

*Director Independence.* Each year, the Board of Directors reviews the relationships that each director has with the Company and with other parties. Only those directors who do not have any of the categorical relationships that preclude them from being independent within the meaning of applicable NASDAQ Stock Market, Inc. Marketplace Rules (the "NASDAQ Rules"), and who the Board of Directors affirmatively determines have no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, are considered to be independent directors. The Board of Directors has adopted Director Independence Standards to use in evaluating the independence of directors. After a review of the relevant information, the Board of Directors has determined that Richard I. Beattie, Antonio Borges, John A. Fazio, Jill Kanin-Lovers, Gary E. Knell, Robert E. Knowling, Jr. and V. Paul Unruh are independent directors of the Company within the meaning of applicable NASDAQ Rules and the Company's Director Independence Standards. You can access the Director Independence Standards in the Corporate Governance section of the Company's website at: <http://www.heidrick.com>.

*Corporate Governance Guidelines.* The Board of Directors has adopted corporate governance practices to help it fulfill its responsibilities to the stockholders in overseeing the work of management and the Company's business results. These guidelines are intended to insure that the Board of Directors has the necessary authority and practices in place to review and evaluate the business operations, as needed, and to make decisions that are independent of management. In addition, the guidelines are intended to align the interests of directors and management with those of the Company's stockholders. A copy of the Corporate Governance Guidelines is available in the Corporate Governance section of the Company's website at: <http://www.heidrick.com>.

*Director Nominating Procedures.* Directors may be nominated by the Board of Directors or by stockholders in accordance with the Company's Amended and Restated Bylaws. The Nominating and Board Governance Committee reviews all proposed nominees for the Board of Directors, including those proposed by stockholders, in accordance with the mandate contained in its charter. This includes a review of the person's occupation, experience, time commitments, financial literacy, independence, judgment, understanding of the Company's business or other related industries, and such other factors as the Nominating and Board Governance Committee determines are relevant in light of the needs of the Board of Directors and the Company. The Nominating and Board Governance Committee selects qualified candidates and reviews its recommendations with the Board of Directors, which determines whether to nominate them for election to the Board of Directors. To date, the Nominating and Board Governance Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates; however, the Nominating and Board Governance Committee has worked with search consultants from the Company to identify director candidates.

*Stockholder Recommendations for Nominations.* Stockholders who wish to recommend individuals for consideration by the Nominating and Board Governance Committee to be nominees for election to the Board of Directors may do so by notifying the Company's Corporate Secretary. In addition, the Company's Amended and Restated Bylaws permit stockholders to nominate directors at a stockholder meeting. To nominate a director at the 2009 Annual Meeting, a stockholder must notify the Corporate Secretary not less than sixty days, nor more than ninety days, prior to May 22, 2009. Notices should be sent to: Corporate Secretary, Heidrick & Struggles International, Inc., 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606. In either case, the notice must meet all of the requirements contained in the Company's Amended and Restated Bylaws. The notice must set forth:

(1) the name, age, business address and residence address of the proposed nominee, the class and number of voting shares of the Company's capital stock the nominee beneficially owns and any other

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information relating to the nominee that is required to be disclosed in solicitations for proxies for the election of directors pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations thereunder; and

(2) as to the stockholder proposing such nominee, that stockholder's name and address, the class and number of voting shares of the Company's capital stock the stockholder beneficially owns, a description of all arrangements and understandings between the stockholder and the nominee or any other person (including their names) pursuant to which the nomination is made, a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person named in its notice and any other information relating to the stockholder that is required to be disclosed in solicitations for proxies for the election of directors pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

The notice must also be accompanied by a written consent of the proposed nominee both to being named as a nominee and to serving as a director if elected.

*Stockholder Communications.* Stockholders may communicate directly with the Board of Directors. All communications should be directed to: Corporate Secretary, Heidrick & Struggles International, Inc., 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606. Any such communication should prominently indicate on the outside of the envelope that it is intended for the Board of Directors or a particular director. Each communication intended for the Board of Directors or a particular director and received by the Secretary will be forwarded to the specified party following its clearance through normal security procedures.

*Code of Ethics.* The Board of Directors has adopted a Code of Business Conduct that applies to all of the Company's employees, officers and directors. You can access this Code of Business Conduct in the Corporate Governance section of the Company's website at: <http://www.heidrick.com>.

*EthicsLine.* The Board of Directors has established the Heidrick & Struggles EthicsLine, a service that provides a mechanism for reporting to the Company alleged breaches of any legal or regulatory obligations, financial fraud, including accounting, internal controls and auditing, or any alleged violation of the Company's Code of Business Conduct or corporate policies.

The EthicsLine is a confidential number, (toll free in the US) available to all Company employees, contractors, vendors, stockholders or other interested parties. Calls are not recorded and callers may remain anonymous. The EthicsLine is operational 24 hours a day, seven days a week and may be reached at 1-800-735-0589 or, if calling from outside the United States, at +1-704-731-7242.

## **COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of Directors has a standing Audit and Finance Committee, Human Resources and Compensation Committee, and Nominating and Board Governance Committee. The Board of Directors has determined that all of the directors who serve on these committees are independent within the meaning of the Company's Director Independence Standards and the applicable NASDAQ Rules, including, in the case of members of the Audit and Finance Committee, the specific independence requirements for audit committees.

The Board of Directors has adopted a charter for each of the three standing committees. You can access these committee charters in the Corporate Governance section of the Company's website at: <http://www.heidrick.com>.

*Audit and Finance Committee.* The Audit and Finance Committee of the Board of Directors is presently composed of four directors, Messrs. Fazio, Knowling and Unruh and Ms. Kanin-Lovers, each of whom is independent within the meaning of the Company's Director Independence Standards and the applicable

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NASDAQ Rules. Mr. Fazio is the Chair of the Audit and Finance Committee. The Board of Directors has determined that Mr. Fazio and Mr. Unruh are audit committee financial experts as defined in the rules and regulations of the Securities and Exchange Commission (the SEC Rules ). During 2007, the Audit and Finance Committee met twelve times.

The Audit and Finance Committee recommends to the Board of Directors the appointment of an independent registered public accounting firm annually to audit the Company's books and records; meets with and reviews the activities and the reports of the Company's independent registered public accounting firm; and reports the results of the review to the Board of Directors. The Audit and Finance Committee also periodically reviews the adequacy of the Company's internal controls and pre-approves all services to be provided by the Company's independent registered public accounting firm. These and other aspects of the Audit and Finance Committee's authority are more particularly described in the Audit and Finance Committee Charter.

*Nominating and Board Governance Committee.* The Nominating and Board Governance Committee consists of three directors, Messrs. Beattie, Borges and Knell, each of whom is independent within the meaning of the Company's Director Independence Standards and the applicable NASDAQ Rules. Mr. Beattie is the Chair of the Nominating and Board Governance Committee. The Nominating and Board Governance Committee makes recommendations to the Board of Directors concerning candidates for nomination to the Board of Directors, the membership on committees of the Board of Directors, compensation of the Board of Directors and other corporate governance matters. The Nominating and Board Governance Committee also reviews and approves related party transactions. These and other aspects of the Nominating and Board Governance Committee's authority are more particularly described in the Nominating and Board Governance Committee Charter. During 2007, the Nominating and Board Governance Committee met four times.

*Human Resources and Compensation Committee.* The Human Resources and Compensation Committee consists of four independent directors, Messrs. Beattie, Knowling and Borges and Ms. Kanin-Lovers, each of whom is independent within the meaning of the Company's Director Independence Standards and the applicable NASDAQ Rules. Ms. Kanin-Lovers is the Chair of the Human Resources and Compensation Committee. Each member also qualifies as a non-employee director for purposes of Section 16 of the Securities Exchange Act of 1934 and an outside director for purposes of Section 162(m) of the Internal Revenue Code.

The Human Resources and Compensation Committee of the Board reviews and approves employment and compensation matters involving the Company's executive officers, as well as those of other key employees that the Committee deems material. Specifically, the Committee's responsibilities include:

Reviewing and approving the Chief Executive Officer's compensation and evaluating his or her performance against pre-established metrics

Reviewing and approving individual executive officer compensation recommendations made by the Chief Executive Officer for his or her direct reports

Reviewing and approving terms of employment, severance or other compensation-related agreements to be entered into, or amended, for any executive officer or key employee

Adopting, administering and approving equity-related incentives and awards under the Company's equity compensation plans

Reviewing the Company's incentive and employee benefit plans, including any equity compensation plan and recommending to the Board (and stockholders where necessary) any amendments or material changes to plans

The agenda for meetings of the Human Resources and Compensation Committee is determined by its Chair with the assistance of the Company's Secretary and Chief Human Resources Officer. The Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer regularly attend Human Resources and





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Compensation Committee meetings. The Human Resources and Compensation Committee also meets in executive session as appropriate. The Chair of the Human Resources and Compensation Committee reports the Committee's recommendations on executive compensation to the Board of Directors. Outside advisors and the Company's Human Resources Department support the Human Resources and Compensation Committee in its duties and the Committee may delegate authority to fulfill certain administrative duties regarding the compensation programs to the Chief Executive Officer and Chief Human Resources Officer. The Human Resources and Compensation Committee has authority under its charter to retain advisors, consultants and agents as it deems necessary to assist in the fulfillment of its responsibilities. The Human Resources and Compensation Committee has retained Mercer US, Inc. ( Mercer ) to advise it on executive compensation, director compensation, equity plan design and administration and related corporate governance matters. During 2007, the Human Resources and Compensation Committee met five times.

**HUMAN RESOURCES AND COMPENSATION COMMITTEE INTERLOCKS AND**

**INSIDER PARTICIPATION**

The Human Resources and Compensation Committee consists of four independent directors (Messrs. Beattie, Knowling and Borges and Ms. Kanin-Lovers). During 2007, no person who was a member of the Human Resources and Compensation Committee was one of the Company's officers or employees, nor did any of those executive officers serve as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving on the Company's Board of Directors or Human Resources and Compensation Committee. From time to time, the Chief Executive Officer, certain other officers and outside consultants may attend meetings of the Human Resources and Compensation Committee, but none of the Company's officers may be present during discussions or deliberations regarding his or her own compensation, nor may they vote on any matters brought before the Human Resources and Compensation Committee.

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### **EXECUTIVE COMPENSATION**

#### **Compensation Discussion & Analysis**

##### **Our Business**

Heidrick & Struggles is a leading provider of executive search and leadership consulting services. The Company helps its clients build leadership teams by facilitating the recruitment, management and deployment of senior executives. Focusing on top-level services offers the Company several advantages, including access to, and influence with, key decision makers, increased potential for recurring search consulting engagements, higher fees per search, and enhanced brand visibility, all of which create added barriers to entry for potential competitors. Working at the top of client organizations also allows the Company to attract and retain high-caliber consultants.

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

The Company provides its services to a broad range of clients through the expertise of approximately 400 consultants located in major cities around the world. As such, the executives in the Company need to have the skills and experience to manage and motivate an organization spread over a large number of countries with varying business and regulatory environments. The market for these talented individuals is competitive, and as such, the Company's compensation philosophy is focused on ensuring that the right candidates can be attracted, retained and properly rewarded for their contributions.

##### **Oversight of Compensation Programs**

The Human Resources and Compensation Committee of the Board (the Committee) is responsible for overseeing the Company's executive compensation program. The Company's Chief Executive Officer and Chief Financial Officer, as well as the other executives included in the Summary Compensation Table on page 20, are referred to as the named executive officers throughout this proxy statement. See page 8 of this proxy statement for more information on the role and responsibilities of the Committee with regards to executive compensation and related corporate governance.

##### **Role of Executive Officers in Compensation Decisions**

The Committee approves all compensation decisions for the Company's executive officers. The Chief Executive Officer, with the assistance of the Chief Human Resources Officer, annually reviews the performance of each of the executive officers (other than the Chief Executive Officer, whose performance is reviewed by the Committee). The conclusions reached and recommendations based on these reviews, including compensation adjustments, are presented to the Committee for consideration. The Committee can exercise its discretion in modifying any recommended adjustments or awards to executives.

##### **Executive Compensation Philosophy**

The Company believes that the executive compensation programs should (i) link pay and performance and (ii) attract, retain, and reward the best talent. To achieve this, the Company's executive compensation philosophy is to provide compensation levels and programs that are:

Competitive with executive recruiting and other consulting firms with which the Company competes for executive talent

Fair and equitable among executives

Directly linked to stockholder value creation and the long-term profitable growth of the Company

Supportive of the Company's key business strategy and objectives to achieve revenue and operating income growth

Reflective of an executive's individual performance and career potential

Designed to facilitate ownership of Company stock

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The Company strives to align executive compensation programs and levels with its objective to attract, retain and reward the best talent needed to maximize stockholder value creation, serve the its clients, and continue on a path of profitable growth.

**Setting Executive Compensation**

The Committee evaluates the Company’s executive compensation programs in comparison to those of a selected peer group consisting of sixteen similarly-sized professional services companies. The peer group is used to compare total direct compensation and the mix of compensation elements for each named executive officer against peer group positions with similar responsibilities. The peer group is also used to review executive pay programs and practices in general at those companies. The peer group consists of the following companies:

Korn/Ferry International	KForce
Charles River Associates	LECG Corp
Diamond Management & Technology Consultants	Navigant Consulting
First Consulting Group	Resources Connection
FTI Consulting	Sotheby’s Holdings
Gartner	The Advisory Board
Hudson Highland Group	The Corporate Executive Board

Keane Watson Wyatt & Company Holdings

Mercer provides the Committee with an analysis of peer group compensation data to assist the Committee in making informed executive compensation decisions. In setting compensation levels, the Committee often gives more consideration to the peer group companies with which it directly competes for executive talent and stockholder investment. The Committee also relies on its general knowledge of executive compensation levels and practices since most of the Company’s executive search and leadership consulting competitors from which executive talent is often recruited are privately held.

The Company does not set a relative percentile positioning for total direct compensation, or the elements of total direct compensation, as a target for executive pay levels. Rather, it reviews the total direct compensation range for each position and the mix of elements, to ensure that compensation is adequate to attract and retain key executives.

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To ensure that compensation is linked to performance, the Company's executive compensation program is designed to deliver more than 50% of total direct compensation through variable pay. In fact, the Chief Executive Officer's salary accounted for only 28% of his 2007 target total direct compensation. For the other named executive officers, the management salary accounted for approximately 40% of 2007 target total direct management compensation.

The Company's executive compensation program is also designed to ensure that a large proportion of the executive's compensation is delivered in equity and directly aligned with the interests of the its stockholders. In 2007, the Chief Executive Officer received 50% of his target total direct management compensation in the form of equity (the remainder was cash), which compares to approximately 40% for the other named executive officers.

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### **Overview of Executive Compensation Components**

Alignment with the Company's executive compensation philosophy is achieved through the three direct compensation components outlined below.

*Base Salary.* The objective of base salary is to compensate executives for services rendered during the year in the form of fixed cash compensation. Base salary levels are set to reflect the executive's role and responsibilities, value to the Company, experience and performance, internal equity and other relevant criteria.

*Annual Incentives.* The objective of annual incentives is to motivate and reward executives for achieving specific performance goals over a one-year period. Payment is not guaranteed and levels vary according to Company and individual performance. Annual incentives are payable 80% in cash and 20% in restricted stock units. The primary purpose of the bonus deferral into restricted stock units is to retain top talent and to ensure that the achievement of short-term goals leads to the Company's long-term success.

*Long Term Incentives.* The objective of long-term incentives is to directly align executives' interests with those of its stockholders and to retain top talent. Long-term incentive awards are made 100% in the form of equity, specifically, stock options and restricted stock units. Equity-based long-term incentives also facilitate ownership of Company stock and thus, the achievement of the stock ownership guidelines adopted by the Committee.

### **Base Salary**

For each executive, base salaries are reviewed against levels for positions with similar responsibilities at the peer companies using comparative data prepared by Mercer. The Committee then gives consideration to individual performance, internal equity, functional expertise, experience and scope of responsibilities in approving any changes to the base salary.

For executives who have dual roles with the Company (management and consultant), the base salary consists of a combination of management salary and consultant salary. In 2007, those executives included Ms. Valerie E. Germain, Mr. David C. Peters and Mr. Charles G. Davis. A management salary is paid to dual-role executives in consideration of their management and policy-making responsibilities within the Company, while a consultant salary is paid in consideration of their consulting presence in the marketplace. A consultant salary is referred to as a Fee and Source of Business ( FSOB ) salary and is applied against any annual incentive amount earned under the Company's FSOB Bonus Plan. The Company does not reduce the consultant salary if the FSOB incentive amount earned for a fiscal year is less than the FSOB salary paid. The other two named executive officers, Mr. L. Kevin Kelly and Ms. Eileen A. Kamerick, have only management roles and thus are paid only a management salary.

On February 21, 2007, the Committee approved the 2007 base salaries for the executives based on the Chief Executive Officer's recommendations and other considerations. Ms. Germain's salary adjustments were approved by the Committee on September 19, 2007 when she became an executive.

See the Summary Compensation Table on page 20 for more details on base salary levels approved by the Committee in 2007 for the named executive officers.

### **Annual Incentives**

*Management Incentive Plan.* The Committee approved annual incentive payments for the named executive officers that were provided pursuant to the Management Incentive Plan ( MIP ) under the Heidrick & Struggles Incentive Plan. The MIP is primarily designed to link an executive's performance to the attainment of

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specific Company financial goals. Each named executive officer has a target incentive opportunity under the MIP equal to 100% of the management salary with the ability to earn up to 150%. Please see the Grants of Plan-Based Awards Table on page 23 for more details on non-equity incentive plan levels approved by the Committee in 2007 for the named executive officers.

On March 16, 2007, the Committee approved a performance-based alignment matrix that blends consolidated net revenue goals with operating income margin goals for the purpose of determining annual incentive payouts. The alignment matrix is designed to primarily emphasize operating income margin performance with limited leverage to recognize net revenue growth performance. In setting goals, the Committee paid particular attention to the budget set for the year, year-over-year growth, stockholder expectations and probability of achievement. The table below outlines the significant year-over-year growth in net revenue and operating income margin that was required to generate payouts under the 2007 alignment matrix.

	Threshold	Target	Maximum	Actual
<b>Financial Performance</b>				
1) Net Revenues				
	\$ 532.5M	\$ 570M	\$ 632.5M	\$ 620M
2) Operating Income Margin	12.3%	13%	16.7%	13.1%

**Payout**

(as a % of management salary) 90% 100% 150% **105%**

On February 8, 2008, the Company's 2007 net revenues and operating income margin results (excluding the \$1.4M expense associated with the continued and/or accelerated vesting of all outstanding unvested equity awards for retired executives Mr. Thomas J. Friel and Ms. Joie A. Gregor) generated a payout of 105% under the alignment matrix, which the Committee approved. The Committee made no adjustments to the annual incentive payout for the Chief Executive Officer or, based on the Chief Executive Officer's recommendations for his direct reports, for other executives, based on individual performance.

*Fee and Source of Business Bonus Plan.* Executives who have dual roles (management and consultant) participate in the Company's FSOB Bonus Plan in addition to the MIP. The named executive officers who participated in the FSOB Bonus Plan for 2007 were Ms. Germain, Mr. Peters and Mr. Davis. The primary purpose of this incentive plan is to reward revenue generation. The FSOB Bonus Plan is reviewed and amended by the Committee from time to time.

Under the FSOB Bonus Plan, an executive earns revenue credits for both origination (source of business) and execution (fee) services. The FSOB incentive payout is determined by applying the revenue credits earned against a four tier step structure. The incentive amount calculated is net of the FSOB salary. The Committee has the discretion to make adjustments to the calculated FSOB incentive payout based on the Company's financial performance.

On February 8, 2008, the Committee approved the payment of a FSOB incentive for Ms. Germain as calculated under the plan (no adjustment was made at the discretion of the Committee). Ms. Germain was the only named executive officer who received a FSOB incentive payment for 2007.

*Non-Consultant Source of Business Plan.* Under the Company's Non-Consultant Source of Business (SOB) Bonus Plan, an executive who does not have a consulting role has the opportunity to earn a cash incentive payment for helping the Company win executive search work that otherwise would not have been won. The incentive amount is calculated based on the SOB revenue credits earned. Ms. Kamerick was the only named executive officer to receive an incentive payment under this plan.

*Discretionary Bonus Plan.* Executives who have dual roles (management and consultant) and have earned an incentive payment under the FSOB Bonus Plan for a particular year are eligible to receive an incentive

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payment under the Company's Discretionary Bonus ( DB ) Plan. The purpose of this incentive plan is to reward partnership behaviors and Company contributions in key areas beyond individual revenue generation.

The funding of the DB Plan pool is based on a formula and is directly linked to the number of global consultants and the Company's financial performance. On March 16, 2007, the Committee approved an alignment matrix for the DB Plan which blends consolidated net revenue goals with operating income margin goals. The purpose of the alignment matrix is to better align consultants' interests with those of the stockholders by applying a corporate performance factor to the total size of the DB Plan pool. To recognize the Company's strong 2007 financial performance relative to the target goals established under the alignment matrix, the Committee approved a payout of 105% to be applied against the DB Plan pool on February 8, 2008.

The DB Plan pool was distributed to eligible consultants in the following manner:

1. Consultant behaviors were evaluated by other consultants using a scorecard comprised of five categories including firm building, partnership/teamwork, leadership, quality and reaching full potential. The scorecard and the related categories were established and communicated to the consultants at the beginning of the year.
2. Consultant scores were then compared against each other and each consultant was assigned a band (A, B, C, D or E).
3. The DB Plan pool was distributed by country and across bands with consultants in the A band receiving the largest incentive payouts.

Ms. Germain was the only named executive officer who received a payment under the DB Plan in 2007.

*Other Bonuses.* On February 8, 2008, the Committee approved a discretionary bonus for Mr. Davis to reward him for achieving recognition for the Company as the top search firm in the Asia Pacific region and the successful completion of the Renton James acquisition (i.e., Auckland office).

*Payment of Annual Incentives.* To further align executives' interests with those of the Company's stockholders and to ensure that the achievement of short-term goals leads to the Company's long-term success, annual incentives for the named executive officers are paid 80% in cash and 20% in restricted stock units (with the exception of any payments made under the Non-Consultant SOB Plan which are all cash). The restricted stock units vest in equal installments over a three-year period beginning on the first anniversary of the date of grant. This vesting schedule reflects the impact that annual performance has on future financial results. On February 8, 2008, the Committee approved the payment of the cash incentives on February 29, 2008 and the payment of the incentives in restricted stock units to be granted on March 6, 2008. The total number of restricted stock units granted was calculated by dividing the amount of the annual incentive to be paid in restricted stock units by the closing stock price on the grant date of \$33.79, plus a 10% premium to reflect the added forfeiture risk of restricted stock units versus cash payable immediately following the fiscal year end.

## **Long-Term Incentives**

The Committee approved long-term incentives for the named executive officers that were provided under the Company's GlobalShare Program. The Company's long-term incentive program is designed to:

Directly align executives' interests with those of the Company's stockholders

Motivate executives to enhance the revenues and profitability of the Company

Facilitate ownership of Company stock and the achievement of stock ownership guidelines



Attract and retain top talent

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To accomplish this, the long-term incentive program for executives generally consists of annual grants of nonqualified stock options and restricted stock units based on an equity mix of two stock options for every one restricted stock unit granted.

The Committee approved awards denominated in a fixed number of restricted stock units and stock options based on the Chief Executive Officer's recommendations and other considerations. For each executive, the value of the long-term incentive was reviewed against levels for positions with similar responsibilities at the peer companies using comparative data prepared by Mercer. The named executive officers who received annual grants pursuant to this methodology were Mr. Kelly, Ms. Kamerick and Ms. Germain (upon her appointment to Managing Partner, Strategic Partnerships).

In connection with their appointment to Regional Managing Partner, the Committee approved an award of restricted stock units to be granted to Mr. Peters and Mr. Davis in March 2007. This award was in lieu of the restricted stock units and stock options granted in 2007 to other named executive officers under the annual equity program for executives.

Other awards were made to the executives in March 2007 in addition to the annual grant of equity. Ms. Germain received an award of restricted stock units to recognize her contributions in a consultant role. Mr. Davis received a special award of restricted stock units in recognition of his consistent top performance and contributions in his consultant role. Mr. Peters received an award of stock options to recognize his contributions as Managing Partner, London office (a position he held until October 1, 2006). Stock options were selected to ensure Mr. Peters received a mix of both restricted stock units and stock options consistent with the annual equity program for executives. Please see the Grants of Plan-Based Awards Table on page 23 for more details on equity grants that the Committee approved.

In December 2006 the Committee approved six specific 2007 equity grant dates, which were set outside of trading blackout periods restricting transactions in the Company's stock. No awards of equity were made to any named executive officer other than on those six dates approved. Those dates were:

March 9, 2007

March 30, 2007

May 31, 2007

June 29, 2007

September 28, 2007

December 21, 2007

All equity awards were approved by the Committee in advance of the predetermined grant dates.

*Stock Options.* Stock options constitute a key element of the Company's long-term incentive strategy in that they deliver value to the executive only when the Company's stock increases. The stock options are nonqualified, have a five-year term and vest in equal installments over a three-year period beginning on the first anniversary of the date of grant. Starting with stock options granted in 2008, the term was increased to 10 years, consistent with the Company's peer companies and to provide the named executive officers with an incentive opportunity that spans a longer time frame than five years.

The exercise price of the stock options was the closing price of the stock on the date of grant. The value of the stock options granted in 2007 was estimated using a Black-Scholes valuation model and specific assumptions including a term of five years, a risk-free interest rate of 4.7%, a three-year monthly stock price volatility of 32% and a dividend yield of 0%.



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*Restricted Stock Units.* Restricted stock units constitute a key element of the Company's long-term incentive strategy in that they facilitate stock ownership, they support the achievement of the stock ownership guidelines and they help to retain and motivate the executives. The restricted stock units generally vest in equal installments over a three-year period starting on the first anniversary of the date of grant and, upon vesting, convert into shares of Company stock on a one-for-one basis.

The value of the restricted stock units was calculated using the closing price on the date of grant.

In September 2007, the Company announced that its Board of Directors had approved the initiation of a quarterly cash dividend on the Company's shares of common stock. The first quarterly dividend payment was made on November 16, 2007 to stockholders of record on November 2, 2007. In connection with the announcement, and as approved by the Committee on September 19, 2007, all outstanding restricted stock units will be credited with dividend equivalents that are payable in cash following the vesting of the underlying restricted stock units. The primary purpose of crediting dividend equivalents on restricted stock units is to provide the participant with the same economic benefit as stockholders.

*Other Long-Term Incentives.* In connection with the execution of a new employment agreement and to recognize her contributions to the Company's future success, Ms. Germain received two special long-term incentive awards. The first award of \$250,000 was made on October 1, 2007 and approved by the Committee on September 19, 2007. This award will vest in equal installments over three years and will be payable in cash starting on the first anniversary of the award date. The second award of \$750,000 was made on January 1, 2008 and approved by the Committee on February 8, 2008. This award will vest in full and be payable in cash on December 31, 2010 if Ms. Germain earns cumulative SOB credits of at least \$6M over the performance period.

*Stock Ownership Guidelines.* To enhance the alignment of executives' interests with that of stockholders, the Company maintains stock ownership guidelines that were amended by the Committee on May 24, 2007. Each named executive officer has five years to achieve a stock ownership level equal to a multiplier of base salary. The stock ownership guidelines are as follows:

Chief Executive Officer: 3x base salary

Chief Financial Officer & Regional Managing Partners: 2x base salary

Managing Partner, Strategic Partnerships: 1x base salary

In determining compliance with these guidelines, the Company includes both direct stock ownership and restricted stock units.

## **Perquisites and Other Personal Benefits**

The Company provides executives with the same benefits that are provided to all employees, including medical, dental and vision benefits, group term life insurance, and participation in the Company's 401(k) plan (only available to U.S. employees). U.S. executives are also reimbursed for expenses incurred for an annual physical examination and for financial planning services (maximum reimbursement for financial planning is \$1,080 per year or \$3,150 if expenses are incurred for the first time). To provide competitive benefits, as is customary in Europe, Mr. Peters also receives an annual car allowance and the Company makes retirement contributions on his behalf equal to 10% of his consultant salary. Other benefits and allowances may be provided to executives on expatriate assignments. Please see the All Other Compensation Table on page 22 for more details.

## **Nonqualified Deferred Compensation Plan**

Pursuant to the Company's U.S. Employee Deferred Compensation (EDC) Plan, each named executive officer (based in the U.S. only) may defer up to 25% of his or her base salary not to exceed \$500,000 per year

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and/or up to 25% of his or her cash incentive compensation not to exceed \$500,000 per year. The purpose of the EDC Plan is to facilitate future wealth creation and individual financial planning by deferring payments earned today to the future. The Company does not contribute any amounts to the EDC Plan.

A participant completes an election form at the time he or she enrolls in the Company's EDC Plan and chooses from investment funds offered by Vanguard (EDC Plan administrator). The Company does not contribute to the amount deferred nor does it provide above market rates on the investment funds. A participant is not allowed to invest directly in the Company stock fund. Vanguard calculates the earnings for the funds selected for each participant's account. A participant makes distribution elections on the enrollment form and can elect to receive his or her distributions on either a date specified in the future (as long as it is at least three years from the effective date that contributions begin) or upon termination. A participant can also elect to receive his or her distributions in either a lump sum or in installments (over five, ten or fifteen years) paid quarterly and/or on a declining balance approach. Mr. Kelly is the only named executive officer who has participated in the EDC Plan and only for calendar year 2006.

## **Other Executive Compensation Arrangements**

The Company also has adopted other executive compensation arrangements to further align executives with the interests of stockholders. Such arrangements include the Company's Change in Control Severance Plan, designed to retain executives in a period of uncertainty, the Company's Severance Pay Plan, designed to provide financial assistance to executives following termination, and employment agreements with each named executive officer. The Company also has entered into a transition and separation agreement with Ms. Kamerick. The material terms and conditions of these agreements are summarized below.

*Change in Control Severance Plan.* The Company maintains a Change in Control Severance Plan (CIC Plan) for its executives, including the named executive officers. The CIC Plan provides severance benefits to the executive if he or she is terminated by the Company without cause, or if he or she terminates employment with the Company for good reason (as defined in the Plan), within two years of a change in control of the Company (or within six months prior to a change in control of the Company if such termination is effected prior to, but in anticipation of, the change in control). On May 24, 2007, the Committee approved amendments to the CIC Plan. Consistent with market practice, the amended CIC Plan no longer requires the Board to annually approve the participants and benefits available under the CIC Plan. The severance benefits payable to the named executive officers under the amended CIC Plan, as well as other material terms and conditions, are described in detail under the section of the proxy statement entitled Potential Payments Upon Termination or a Change in Control.

The Company believes that the protection and benefits provided by the CIC Plan to its executives are a valuable incentive for attracting and retaining top management, and that in the event of an extraordinary corporate transaction, the CIC Plan could prove crucial to the Company's ability to retain top management through the transaction process. Change in control protection for executives is prevalent in the competitive environment in which the Company operates. The CIC Plan also contains restrictive covenants that prohibit the executives from competing and soliciting clients and employees for a certain period of time following a termination of employment.

*Severance Pay Plan.* The Company maintains a Severance Pay Plan (the Severance Plan) that provides severance benefits to eligible full-time or part-time employees, including the named executive officers. Benefits are paid to an employee who is involuntarily terminated by the Company for other than cause (as defined in the Plan) and is not offered employment with the Company or a successor to the Company. The severance benefits payable to the named executive officers under the Severance Plan, as well as other material terms and conditions, are described in detail under the section of the proxy statement entitled Potential Payments Upon Termination or a Change in Control.

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### **Employment and Separation Agreements**

The Company had employment agreements with each named executive officer during 2007. The Company has also entered into a separation agreement with Ms. Kamerick in connection with the termination of her employment. The material terms and conditions of these agreements are summarized below.

*L. Kevin Kelly.* In connection with his appointment to Chief Executive Officer, the Company entered into an employment agreement with Mr. Kelly, dated March 29, 2007. The agreement provides for an annual management salary of \$800,000, subject to annual increase (but no decrease), a target management bonus of \$800,000, participation in the Company's equity programs, participation in the Company's benefit plans at the same level as other senior executives and reimbursement of relocation expenses. The agreement includes one-year post-termination non-solicitation and non-competition restrictions.

*Eileen A. Kamerick.* In connection with her commencement of employment, the Company entered into an employment agreement with Ms. Kamerick, dated June 1, 2004. The agreement provides for an annual salary of \$400,000 (subject to periodic review), a target management bonus of \$300,000 and participation in the Company's equity programs, the CIC Plan at Tier I, the Severance Plan as a member of Top Management and the Company's benefit plans at the same level as other senior executives. The agreement contains six-month post-termination non-solicitation and non-competition restrictions.

Ms. Kamerick's employment will terminate on May 10, 2008. The transition and separation agreement between the Company and Ms. Kamerick, dated as of April 10, 2008, provides for the payment of a pro-rata bonus for her 2008 service through May 10, 2008 of \$196,858, a severance payment of \$1,100,000 (equal to a salary of \$550,000 and a target bonus of \$550,000), and the vesting of all equity awards that would have vested to Ms. Kamerick on May 31, 2008 had a pro-rata monthly vesting schedule been in place. The non-solicitation and non-competition restrictions set forth in Ms. Kamerick's letter agreement or other agreements with the Company will continue to apply. Benefits are conditioned on Ms. Kamerick's execution of a release of claims in favor of the Company.

*Charles G. Davis.* In connection with his appointment to Regional Managing Partner, Asia Pacific, the Company entered into an amended employment agreement with Mr. Davis dated January 23, 2007. The agreement provides for an annual FSOB salary of AUD300,000, an annual management salary of AUD430,192, a target management bonus of AUD367,000, participation in the Company's equity programs, the CIC Plan at Tier I, the Severance Plan as a member of Top Management, FSOB Bonus Plan and the Company's benefit plans at the same level as other senior executives.

*David C. Peters.* In connection with his appointment to Regional Managing Partner, Europe, Middle East and Africa, the Company entered into an amended employment agreement with Mr. Peters, dated November 22, 2006. The agreement provides for an annual FSOB salary of GBP170,000, an annual management salary of GBP158,000, a target management bonus of GBP158,000, participation in the Company's equity programs, the CIC Plan at Tier I, the Severance Plan as a member of Top Management, FSOB Bonus Plan and the Company's benefit plans at the same level as other senior executives. The agreement contains one-year post-termination non-solicitation and six-month non-competition restrictions.

*Valerie E. Germain.* In connection with her appointment to Managing Partner, Strategic Partnerships, the Company entered into an amended employment agreement with Ms. Germain, effective October 1, 2007. The agreement provides for an annual FSOB salary of \$275,000, an annual management salary of \$200,000, a target management bonus of \$200,000, pro-rated for 2007, a one-time special recognition award of \$250,000 on October 1, 2007 vesting in equal installments over three years, payable in cash beginning on September 30, 2008, a one-time retention award of \$750,000 payable in cash on December 31, 2010, subject to the achievement of a cumulative SOB credits earned goal, participation in the Company's equity programs, the MIP Plan at Tier II, the CIC Plan at Tier II, the Severance Plan as a member of Key Management, the FSOB Bonus Plan, and the Company's benefit plans at the same level as other senior executives. The agreement contains one-year post-termination non-solicitation and non-competition restrictions.

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**Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code limits the deduction that a publicly held corporation is allowed for compensation paid to the chief executive officer and the other three most highly compensated executive officers other than the chief financial officer. Amounts in excess of \$1 million paid to a covered executive, other than performance-based compensation, cannot be deducted. The Company considers ways to maximize the deductibility of executive compensation but reserves the right to compensate executive officers in a manner commensurate with performance and the competitive environment for executive talent. As a result, some portion of executive compensation paid to an executive officer whose compensation is subject to the deduction limits described above may not be deductible in the United States. The Company has taken appropriate steps, including obtaining stockholder approval, to ensure performance-based awards made pursuant to the GlobalShare Program and Incentive Plan will be fully deductible.

**HUMAN RESOURCES AND COMPENSATION COMMITTEE REPORT**

The Human Resources and Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Human Resources and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

**THE HUMAN RESOURCES AND COMPENSATION COMMITTEE**

Jill Kanin-Lovers (Chair)

Richard I. Beattie

Antonio Borges

Robert E. Knowling, Jr.

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The table below summarizes the total compensation paid or earned by each of the named executive officers for the fiscal year ended December 31, 2007. In accordance with the SEC rules, total compensation paid or earned by Mr. Kelly and Ms. Kamerick for the fiscal year ended December 31, 2006 is included since they were named executive officers in 2006.

Name & Principal Position (1)	Year	Salary (\$ (2))	Bonus (\$ (3))	Stock Awards (\$ (4))	Option Awards (\$ (5))	Non-Equity Incentive Plan Compensation (\$ (6))	Change in	All Other Compensation (\$ (7))	Total (\$)
							Pension Value and Non- Qualified Deferred Earnings (\$)		
L. Kevin Kelly	2007	800,000		653,023	201,108	672,000		373,759	2,699,890
Chief Executive Officer	2006	747,603	207,493	434,912	139,233	408,800		284,231	2,222,272
Eileen A. Kamerick	2007	550,000		604,181	240,731	609,220		5,658	2,009,790
Chief Financial Officer & Chief Administrative Officer	2006	475,000	120,000	556,341	284,881	279,871		5,167	1,721,260
Valerie E. Germain	2007	337,500		324,142	2,618	805,586		5,625	1,475,471
MP, Strategic Partnerships									
David C. Peters (8)	2007	656,000		299,519	35,243	265,440		50,000	1,306,202
RMP, Europe, Middle East & Africa									
Charles G. Davis (9)	2007	613,361	120,000	198,044		271,286			1,202,691
RMP, Asia Pacific									

- (1) Mr. Kelly was President, Europe, Middle East and Africa ( EMEA ) until September 13, 2006, at which time he became the Chief Executive Officer. Ms. Germain became Managing Partner, Strategic Partnerships on July 1, 2007. Mr. Peters was Managing Partner, London until October 1, 2006, at which time he became the Regional Managing Partner, Europe ( RMP ), Middle East and Africa ( EMEA ). Mr. Davis became Regional Managing Partner, Asia Pacific ( APAC ) on October 1, 2006 and continues to be Managing Partner, Australia (a position he has held since January 1, 2006).
- (2) The 2007 salaries for Mr. Kelly and Ms. Kamerick reflect pay for a management role only. Until June 30, 2007, Ms. Germain's salary consisted of \$225,000 and reflected pay for a consultant role only. Effective July 1, 2007, a management salary of \$200,000 was added to reflect Ms. Germain's role as Managing Partner, Strategic Partnerships. Effective October 1, 2007, Ms. Germain's consultant salary was increased to \$275,000. The salary for Mr. Peters consisted of GBP158,000 for his management role and GBP170,000 for his consultant role. The salaries for Mr. Davis consisted of AUD63,192 as Managing Partner, Australia, AUD367,000 as Regional Managing Partner, APAC, and AUD300,000 as a consultant.
- (3) This column reflects the cash portion of the 2007 and 2006 bonuses paid on February 29, 2008 and March 15, 2007 respectively. Mr. Davis' 2007 bonus reflects the cash portion of a discretionary bonus for achieving recognition for the Company as the top search firm for the region and the successful completion of the Renton James acquisition (i.e., Auckland office). The 20% portion of the bonuses not paid in cash were deferred into restricted stock units ( RSUs ) on March 6, 2008 and March 9, 2007 respectively. The RSUs deferred in 2007 have been included in the Grants of Plan-Based Awards Table. The RSUs deferred in 2008 are not reflected in the Summary Compensation Table or the Grants of Plan-Based Awards Table.
- (4) This column reflects the expense recognized by the Company for financial reporting purposes with respect to fiscal years 2007 and 2006 in accordance with FASB Statement No. 123(R) ( FAS 123(R) ), disregarding estimates for forfeitures, for outstanding restricted stock units ( RSUs ) granted under the GlobalShare Program in 2007 and prior years. For details on 2007 grants of RSUs, please refer to the Grants of Plan-Based Awards Table.
- (5) This column reflects the expense recognized by the Company for financial reporting purposes with respect to fiscal years 2007 and 2006 in accordance with FAS 123(R), disregarding estimates for forfeitures, for outstanding stock options granted under the GlobalShare Program and includes grants made in 2007 and prior years. Stock options were valued using a Black-Scholes valuation model. Assumptions used in the calculation of this amount for fiscal years 2007 and 2006 are included in footnotes 13, 2 and 14 respectively of the Company's audited financial statements included in the Company Form 10-K for the fiscal



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years ended 2007, 2005 and 2001.

- (6) This column reflects the cash portion of the 2007 and 2006 performance-based incentives paid on February 29, 2008 and March 15, 2007 respectively. For Mr. Kelly, Mr. Peters and Mr. Davis, the 2007 amounts reflect the cash portion of the awards under the Management Incentive Plan ( MIP ), which is discussed in further detail on page 12. Ms. Kamerick s 2007 amount reflects the cash portion of the

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award under the MIP (\$577,500) and the Non-Consultant Source of Business Bonus Plan (\$31,720). Ms. Germain's amount reflects the cash portion of the awards under the MIP (\$84,000), the Discretionary Bonus Plan (\$33,600) and the Fee and Source of Business Bonus Plan (\$687,986), which are discussed in further detail starting on page 13. 2007 incentives under the MIP were calculated using each named executive officer's respective management bonus target and multiplying by a corporate performance factor of 105%. The 20% portion of the bonuses not paid in cash were deferred into RSUs on March 6, 2008 and March 9, 2007 respectively. The RSUs deferred in 2007 have been included in the Grants of Plan-Based Awards Table. The RSUs deferred in 2008 are not reflected in the Summary Compensation or Grants of Plan-Based Awards Table. Ms. Kamerick's incentives earned in 2007 were paid all in cash.

- (7) The amounts reflect perquisites and other personal benefits provided to the named executive officers. Please refer to the All Other Compensation Table (see the table on the next page for more details).
- (8) Where applicable, amounts have been converted from British Pounds Sterling ( GBP ) to U.S. dollars based on the average of the monthly average currency rates of 1 GBP to U.S. \$2.00.
- (9) Where applicable, amounts have been converted from Australian Dollars ( AUD ) to U.S. dollars based on the average for the year of the monthly average currency rates of 1 AUD to U.S. \$0.84.

**Table of Contents****All Other 2007 Compensation**

Name & Principal Position	Car Allowance (\$)	Company Retirement Contributions (\$)	Secondment (\$)	Relocation (\$)	Tax Gross-ups or Other Amounts	Dividend Equivalents	Other (\$)	Total (\$)
					Reimbursed (\$)	Paid (\$)		
L. Kevin Kelly Chief Executive Officer		5,625(1)	158,971(2)(3)	172,989(2)(4)	26,174		10,000(5)	373,759
Eileen A. Kamerick Chief Financial Officer & Chief Administrative Officer		5,625(1)				33(6)		5,658
Valerie E. Germain MP, Strategic Partnerships		5,625(1)						5,625
David C. Peters RMP, Europe, Middle East & Africa	16,000(2)	34,000(1)(2)						50,000
Charles G. Davis RMP, Asia Pacific								0

- (1) The amounts reflect Company contributions to a defined contribution plan. For Mr. Kelly, Ms. Kamerick and Ms. Germain, the contributions were made under the Company's 401(k) plan. For Mr. Peters, the contributions were made pursuant to a Company retirement plan.
- (2) Where applicable, amounts have been converted from British Pounds Sterling ( GBP ) to U.S. dollars based on the average of the monthly average currency rates of 1 GBP to U.S. \$2.00.
- (3) The amounts reflect the cost to the Company in connection with the secondment of Mr. Kelly to the Company's London office. Amounts covered under Mr. Kelly's prior employment agreement dated August 5, 2005 included tax and accounting services (GBP10,010 plus \$12,177), housing (GBP43,637) and education for his children (GBP19,750).
- (4) The amounts reflect the expenses covered by the Company in connection with the relocation of Mr. Kelly to the Company's Chicago headquarters office. Amounts covered under Mr. Kelly's current employment agreement included the movement of household goods, stipend for fit-out costs of new home and one round-trip flight home for his immediate family (\$99,600 plus GBP12,116), two round trip flights to find permanent housing (GBP10,192), temporary housing and storage of household goods (\$22,444), broker/realtor expenses (\$5,000) and other (\$1,329).
- (5) This amount reflects attorneys' fees incurred in connection with the negotiation and review of Mr. Kelly's most recent employment agreement.
- (6) This amount reflects dividend equivalents paid on RSUs that vested on November 3, 2007.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS IN 2007**

The table below sets forth certain information with respect to non-equity incentive plan awards that could be earned and equity granted during the fiscal year ended December 31, 2007 for each named executive officer.

Principal	Grant Date	HRCC Approval Date (1)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (2)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) (4)	All Other Option Awards: Number of Securities Underlying Options (#) (5)	Exercise or Base Price of Option Awards (\$/Sh)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
Kelly Executive Officer	9-Mar-07	22-Feb-07	720,000	800,000	1,200,000				3,617(7)		
	30-Mar-07	23-Oct-06							3,125(8)	6,250(8)	\$ 48.45
	30-Mar-07	23-Oct-06							12,500(9)	25,000(9)	\$ 48.45
L. Kamerick Financial Officer & Chief Administrative Officer	9-Mar-07	22-Feb-07	495,000	550,000	825,000				1,589(7)		
	9-Mar-07	22-Feb-07							6,500(9)	13,000(9)	\$ 46.86
E. Germain Strategic Partnerships	9-Mar-07	22-Feb-07	90,000	100,000	105,000				5,529(7)		
	9-Mar-07	22-Feb-07		(3)					1,000(10)		
	28-Sep-07	19-Sep-07							1,500(9)	3,000(9)	\$ 36.45
L. Peters (14) Europe, Middle East & Africa	9-Mar-07	22-Feb-07	284,400	316,000	474,000				911(7)		
	9-Mar-07	23-Oct-06		(3)					6,500(11)		
G. Davis (15) Asia Pacific	30-Mar-07	16-Mar-07								6,000(12)	\$ 48.45
	9-Mar-07	22-Feb-07	290,664	322,960	484,440				998(7)		
	9-Mar-07	23-Oct-06		(3)					5,000(11)		
	9-Mar-07	22-Feb-07							3,000(13)		

- (1) Each date reflects the day the Committee approved the grant date and the amount of each executive's equity award.
- (2) The columns reflect amounts payable under the Management Incentive Plan (MIP) for meeting specified threshold, target and superior levels of performance respectively. The incentive level for achieving threshold performance is equal to 90% of target, while the incentive level for achieving superior performance is equal to a maximum of 150% of target. Ms. Germain was eligible for this bonus target for the last six months of the year as Managing Partner, Strategic Partnerships. The amounts actually paid in cash under the MIP appear in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 20.
- (3) In addition, Ms. Germain, Mr. Peters and Mr. Davis were eligible to participate in the Company's Fee and Source of Business (FSOB) Bonus Plan and the Discretionary Bonus (DB) Plan (please refer to page 13 for more details on this plan). Under the FSOB Plan, individual possible payouts cannot be estimated because the uncapped incentive opportunity is tied to a percentage of the fee and source of business revenue credits earned by a consultant each year. Under the DB Plan, individual possible payouts cannot be estimated because the overall allocation of the pool once funded is discretionary. Also, prior year incentives under both plans are not indicative or representative of amounts to be earned in subsequent years.
- (4) This column reflects grants of RSUs awarded in 2007 under the Company's GlobalShare plan. All the RSUs vest in equal installments over a three-year period starting on the first anniversary of the grant date. In connection with the initiation of a quarterly cash dividend on the Company's shares of common stock in September 2007, all unvested RSUs are credited with dividend equivalents which are payable in cash following the vesting of the related RSUs.
- (5) This column reflects grants of stock options awarded in 2007 under the Company's GlobalShare Program. All the stock options vest in equal installments over a three-year period starting on the first anniversary of the grant date.

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- (6) This column reflects the grant date fair value of RSUs and stock options calculated in accordance with FAS 123(R). The fair value of the stock options was estimated on the date of grant using the Black-Scholes valuation model and specific assumptions (expected life of 3.3 years, risk-free interest rate of 4.7%, expected volatility of 31.7% and expected dividend yield of 0%).
- (7) These RSUs reflect the deferred portion of all the 2006 annual incentives paid in March 2007 (20% mandatory deferral). The total number of RSUs granted is equal to the amounts deferred plus a 10% premium divided by the closing share price on the date of grant.
- (8) The amounts reflect a sign-on award of RSUs and stock options in connection with Mr. Kelly's appointment to Chief Executive Officer and his execution of a new employment agreement.

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- (9) The amounts represent the long-term incentive component of each executive's total compensation package. Each executive received a mix of stock options and RSUs using a 2:1 share ratio approach. For Ms. Germain, the amounts were pro-rated to reflect a partial year in her management role.
- (10) This amount reflects an RSU award made under the Company's Above and Beyond RSU pool. An aggregate pool of Above and Beyond RSUs was approved by the Committee on February 21, 2007. The purpose of this pool is to recognize employees that have made above and beyond contributions that are integral to the Company's future success. This award was made to Ms. Germain while she was in a consultant role only.
- (11) The amounts reflect an RSU award made in connection with each executive's respective appointment to Regional Managing Partner on October 1, 2006.
- (12) The stock option grant reflects Mr. Peters' above and beyond contributions in his prior role as Managing Partner, London. Stock options were selected since Mr. Peters received only RSUs at the beginning of 2007 and the Company's equity strategy for executives is to grant a mix of both RSUs and stock options.
- (13) This RSU award reflects a special award in recognition of Mr. Davis' consistent top performance and contributions in his consultant capacity.
- (14) Where applicable, amounts have been converted from British Pounds Sterling ( GBP ) to U.S. dollars based on the average of the monthly average currency rates of 1 GBP to U.S. \$2.00.
- (15) Where applicable, amounts have been converted from Australian Dollars ( AUD ) to U.S. dollars based on the average of the monthly average currency rates of 1 AUD to U.S. \$0.84.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2007**

The table below includes certain information with respect to stock options and restricted stock units previously awarded to the named executive officers that were outstanding at the fiscal year ended December 31, 2007.

Name & Principal Position	Option Awards				Stock Awards			Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Rights that Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$)	
L. Kevin Kelly Chief Executive Officer	3,000(2)	108(1)		\$ 14.00	26-Apr-09	1,000(6)	\$ 37,110	
	1,525(3)			\$ 40.73	6-Mar-10	20,000(7)	\$ 742,200	
	10,000(4)			\$ 35.13	6-Mar-11	6,450(8)	\$ 239,360	
	15,000(5)			\$ 11.90	6-Mar-08	3,617(11)	\$ 134,227	
	4,000(6)	2,000(6)		\$ 27.00	12-May-09	15,625(12)	\$ 579,844	
	3,333(8)	6,667(8)		\$ 36.17	10-Mar-10			
		31,250(12)		\$ 32.96	3-Mar-11			
				\$ 48.45	30-Mar-12			
Eileen A. Kamerick Chief Financial Officer	8,666(6)	4,334(6)		\$ 36.17	10-Mar-10	2,167(6)	\$ 80,417	
& Chief Administrative Officer	4,333(8)	8,667(8)		\$ 32.96	3-Mar-11	30,000(7)	\$ 1,113,300	
		13,000(11)		\$ 46.86	9-Mar-12	6,114(8)	\$ 226,891	
						500(10)	\$ 18,555	
						8,089(11)	\$ 300,183	
Valerie E. Germain MP, Strategic Partnerships		3,000(13)		\$ 36.45	28-Sep-12	834(6)	\$ 30,950	
						5,000(7)	\$ 185,550	
						5,064(8)	\$ 187,925	
						6,529(11)	\$ 242,291	
						1,500(13)	\$ 55,665	
David C. Peters RMP, Europe, Middle East & Africa		6,000(12)		\$ 48.45	30-Mar-12	2,334(6)	\$ 86,615	
						5,000(7)	\$ 185,550	
						4,033(8)	\$ 149,665	
						1,000(9)	\$ 37,110	
						7,411(11)	\$ 275,022	
Charles G. Davis RMP, Asia Pacific	217(1)			\$ 14.00	26-Apr-09	334(6)	\$ 12,395	
						2,497(8)	\$ 92,664	
						8,998(11)	\$ 333,916	

(1) The amounts consist of stock options granted on April 26, 1999. The unexercisable stock options will vest in full on April 26, 2008.

(2) The amount consists of stock options granted on March 6, 2000.

(3) The amount consists of stock options granted on March 6, 2001.

- (4) The amount consists of stock options granted on March 6, 2003.
- (5) The amount consists of stock options granted on May 12, 2004.
- (6) The amounts consist of stock options and RSUs granted on March 10, 2005. The unexercisable stock options and the RSUs vest on March 10, 2008.
- (7) The amounts consist of retention-related RSUs granted on March 10, 2005 and vesting in full on March 10, 2008.
- (8) The amounts consist of stock options and RSUs granted on March 3, 2006. The unexercisable stock options and the RSUs vest 50% on March 3, 2008 and 50% on March 3, 2009 respectively.



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- (9) The amounts consist of RSUs granted on June 14, 2006. The RSUs vest 50% on June 14, 2008 and 50% on June 14, 2009 respectively.
- (10) The amounts consist of RSUs granted on November 3, 2006 in connection with the payment of a portion of a merger-related bonus in equity. The RSUs vest 50% on November 3, 2008 and 50% on November 3, 2009 respectively.
- (11) The amounts consist of stock options and RSUs granted on March 9, 2007. The unexercisable stock options and RSUs vest 33.3% on March 9, 2008, 33.3% on March 9, 2009 and 33.4% on March 9, 2010 respectively.
- (12) The amounts consist of stock options and RSUs granted on March 30, 2007. The unexercisable stock options and RSUs vest 33.3% on March 30, 2008, 33.3% on March 30, 2009 and 33.4% on March 30, 2010 respectively.
- (13) The amounts consist of stock options and RSUs granted on September 28, 2007. The unexercisable stock options and RSUs vest 33.3% on September 28, 2008, 33.3% on September 28, 2009 and 33.4% on September 28, 2010 respectively.

**Table of Contents****OPTION EXERCISES AND STOCK VESTED IN 2007**

The table below includes certain information with respect to the exercise of stock options and the vesting of restricted stock units for the named executive officers during the fiscal year ended December 31, 2007.

Name & Principal Position	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) (1)	Number of Shares Acquired on Vesting (#) (2)	Value Realized on Vesting (\$) (3)
L. Kevin Kelly Chief Executive Officer			3,223 1,000	\$ 147,420 \$ 46,950
Eileen A. Kamerick Chief Financial Officer & Chief Administrative Officer	20,000 20,000	\$ 395,548 \$ 406,330	3,056 2,167 250	\$ 139,781 \$ 101,741 \$ 10,065
Valerie E. Germain MP, Strategic Partnerships			2,531 1,415 833	\$ 115,768 \$ 66,307 \$ 39,109
David C. Peters RMP, Europe, Middle East & Africa	3,334	\$ 64,548	2,015 250 2,334 500	\$ 92,166 \$ 11,570 \$ 109,581 \$ 24,480
Charles G. Davis RMP, Asia Pacific			1,246 334 333	\$ 56,992 \$ 15,458 \$ 15,634

- (1) The amounts reflect the pre-tax value of the difference between the option exercise price and the share price on the date and time the option is exercised multiplied by the number of options exercised.
- (2) The amounts reflect the number of RSUs converted into common shares on a one-for-one basis.
- (3) The amounts reflect the pre-tax value of the number of RSUs vesting multiplied by the closing market price of the stock on the date of vesting. In those cases where the date of vesting falls on a weekend or holiday, the closing market price of the stock on the next business day is used.

**Table of Contents****PENSION BENEFITS**

Pension benefits were not provided to any of the named executive officers during or prior to the fiscal years ended December 31, 2007 and December 31, 2006.

**NONQUALIFIED DEFERRED COMPENSATION PLAN**

The table below provides information with respect to participation in the Company's U.S. Employee Deferred Compensation ( EDC ) Plan by the named executive officers for the fiscal year ended December 31, 2007. Mr. Kelly is the only named executive officer to have participated in the plan during or prior to 2007. For more information about the terms and conditions of the EDC Plan, please refer to the Compensation Discussion and Analysis section of the proxy statement.

<b>Name &amp; Principal Position</b>	<b>Executive Contributions in Last FY (\$)(1)</b>	<b>Registrant Contributions in Last FY (\$)</b>	<b>Aggregate Earnings in Last FY (\$)(2)</b>	<b>Aggregate Withdrawals/ Distributions (\$)</b>	<b>Aggregate Balance at Last FYE (\$)(3)</b>
L. Kevin Kelly Chief Executive Officer	61,629		6,862		184,086
Eileen A. Kamerick Chief Financial Officer & Chief Administrative Officer					
Valerie E. Germain MP, Strategic Partnerships					
David C. Peters RMP, Europe, Middle East & Africa					
Charles G. Davis RMP, Asia Pacific					

(1) These contributions were also included in the Non-Equity Incentive Plan column of the Summary Compensation Table for fiscal year 2006. The contributions were made in 2007 because the 2006 annual incentive was actually paid in 2007.

(2) Aggregate earnings were not included in the Summary Compensation Table.

(3) No contributions were made to the Plan prior to 2006.

**POTENTIAL PAYMENTS UPON TERMINATION OR A CHANGE IN CONTROL**

The Company provides certain benefits to eligible employees upon certain types of termination of employment, including a termination of employment following a change in control of the Company. These benefits are in addition to the benefits to which the employee would be entitled upon a termination of employment generally (i.e., vested retirement benefits accrued as of the date of termination, equity-based awards that are vested as of the date of termination, and the right to continue medical coverage pursuant to COBRA). These incremental benefits as they pertain to the named executive officers are described below.

**Change in Control Severance Plan**

The Company maintains a Change in Control Severance Plan ( CIC Plan ). On May 24, 2007, the Committee approved amendments to the CIC Plan. All named executive officers are participants under the CIC Plan. A participant under the CIC Plan is defined as an officer subject to Section 16 of the Securities and Exchange Act. of 1934. The CIC Plan provides severance benefits to the executive if he or she is terminated by

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the Company without cause, or if the executive terminates his or her employment with the Company for good reason, within two years of a change in control of the Company (or within six months prior to a change in control of the Company if such termination is effected prior to, but in anticipation of, the change in control).

The following benefits are to be provided under the CIC Plan to a participant upon a qualifying termination of employment:

Salary and other compensation earned but not paid as of the termination date, including any unpaid bonus and earned but unused vacation time;

A prorated bonus payment equal to the greater of the executive's annual target bonus under the MIP as of the date immediately prior to the change in control or the average of the annual bonuses paid under the MIP with respect to the three calendar years preceding the change in control (the "bonus amount");

A lump sum payment equal to the sum of the participant's base salary and bonus amount multiplied by a factor of:

2.5 for the Chief Executive Officer;

2.0 for any participant in a Tier I position, which includes the Chief Financial Officer and the Regional Managing Partners;

1.0 for any participant in a Tier II position, which includes the Managing Partner, Strategic Partnerships.

For the Chief Executive Officer and Participants in a Tier I position, a gross-up payment equal to any excise tax arising under Section 280G of the Internal Revenue Code of 1986 ("Code"), plus any taxes, interest or penalties arising as a result of the receipt of the gross-up payment. No gross-up payment will be made if three times the "base amount" is less than 10% of the "parachute payment" as defined by Section 280G(b)(3) of the Code. In this instance, the parachute payment will be reduced under the CIC Plan to ensure there is no excise tax liability;

Immediate vesting of all outstanding unexercisable stock options and RSUs granted under the Company's GlobalShare Program;

Continuation of health, dental and/or vision benefits for one year with the same terms in effect immediately prior to the termination date;

Reimbursement of reasonable legal fees incurred by the participant in enforcing in good faith his or her rights under the CIC Plan (unless the executive was terminated for cause).

The CIC Plan contains restrictive covenants that prohibit the executive, for a period of time, from working on the accounts of certain clients, with respect to which he or she had significant involvement, providing services to competitors, or soliciting or hiring employees or employee candidates of the Company. In order to receive benefits under the CIC Plan, the executive must waive his or her right to receive any severance benefits he or she is entitled to receive under any other Company severance plan or employment agreement to which the Company is a party.

For purposes of the CIC Plan:

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Cause means the executive s (i) willful and continued failure to substantially perform his or her duties that is not cured after notice from the Company (other than a failure due to a physical or mental condition), or (ii) willful misconduct that is materially injurious to the Company;

Good reason means the occurrence of one of the following events without the executive s written consent: (i) the assignment to the executive of duties inconsistent with, or a reduction in his or her responsibilities or functions associated with, his or her position immediately prior to the change in control; (ii) a reduction in the executive s base salary or any failure to pay the executive any

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compensation within seven days of the due date for such payment; (iii) a change by 50 miles or more of the executive's principal work location; (iv) a substantial change in the executive's required business travel; (v) the Company's failure to continue substantially similar benefits under its welfare and fringe benefit plans, its taking any action that adversely affects or reduces the executive's benefits under such plans, or its failure to provide the executive with his or her accrued vacation days in accordance with the Company's policy in effect immediately prior to the change in control; (vi) the failure to provide the executive with the bonus and long term incentive opportunity available immediately prior to the change in control; (vii) a material increase in the executive's working hours; or (viii) the failure of any successor to the Company to assume the obligations under the CIC Plan;

Change in control means (i) a person's acquisition of more than 30% of the voting power of the Company's outstanding securities; (ii) during any 24 month period, the incumbent board members, and generally any new directors elected by at least  $\frac{2}{3}$  of the incumbent or previously approved board members, cease to constitute a majority of the board; (iii) a merger or consolidation of the Company (other than a merger or consolidation that (A) results in the Company's outstanding voting securities continuing to represent more than  $66\frac{2}{3}\%$  of the combined voting power of the outstanding securities immediately after the transaction, or (B) after which no person holds 30% or more of the combined voting power of the outstanding securities immediately after the transaction); (iv) a complete liquidation, or a sale of substantially all of the assets, of the Company; or (v) any other event that the Board determines to be a change in control. A change in control does not include any of the above events if after such event the Company ceases to be subject to Section 13 or 15(d) of the Securities Exchange Act and no more than 50% of the outstanding stock is owned by any entity subject to such requirements, or executive officers of the Company own 25% or more of the then outstanding common stock or 25% or more of the combined voting power of the outstanding voting securities.

**Severance Pay Plan**

The Company maintains the Severance Pay Plan (the "Severance Plan") that provides severance benefits to employees with the Company. Benefits are available to an eligible employee who is involuntarily terminated by the Company for other than cause (as defined in the Plan) and is not offered employment with the Company. Benefits are not available if the termination is due to voluntary resignation, leave of absence, retirement, death or disability. If the termination is due to the employee's transfer to an unaffiliated business, the sale of the stock or assets of the Company or the outsourcing of a division, department, business unit or function, severance benefits will be provided only if the employee has not been offered employment with the successor entity. An employee's receipt of severance benefits in excess of two weeks of pay is conditioned on his or her execution of a release. The severance benefit is equal to the sum of the participant's base salary and target bonus amount multiplied by a factor of:

1.0 for any participant in a Tier I position, which includes the Chief Executive Officer, Chief Financial Officer and the Regional Managing Partners;

0.5 for any participant in a Tier II position, which includes the Managing Partner, Strategic Partnerships.

The severance payments in any event are limited to an amount equal to two times the participant's annual compensation as defined in the applicable Department of Labor regulations. The severance benefits will be paid to the participant in a lump sum following the termination date. However, the payment may be delayed by six months to avoid any penalties imposed under Code Section 409A on the participant. In addition, participants who elect continued health care pursuant to COBRA will pay premiums at active employee rates.

**CEO Employment Agreement**

Under his employment agreement, the Chief Executive Officer is also entitled to severance benefits if he resigns for good reason or he is terminated without cause (as defined in his agreement). His severance benefit is also equal to 1.5 times the sum of base salary and target bonus and is in lieu of any benefit payable under the Severance Plan.

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**Bonus and Restricted Stock Unit Retirement Policy**

The Company maintains a Bonus and Restricted Stock Unit Retirement Policy ( Retirement Policy ) which was amended and approved by the Committee on September 19, 2007 to include annual incentives (formerly the Restricted Stock Unit Retirement Policy). Under the Retirement Policy, an employee is eligible for retirement if all three of the following criteria have been met:

Age 55 or older on the date of retirement;

Combined age and years of service add up to at least 70 on the date of retirement; and

Notification of retirement is made no later than October 15<sup>th</sup> of the fiscal year before the year of actual retirement. The Retirement Policy allows for the continued vesting of RSUs and the payment of the annual incentive, if any, even if the employee retired prior to the actual date of payment. The employee is also eligible for an annual incentive in the year following retirement.

None of the named executive officers qualified for retirement under the Retirement Policy on December 31, 2007.

**2007 GlobalShare Program**

All employees are eligible to receive awards under the Company s 2007 GlobalShare Program (consists of the successor to the 1998 GlobalShare Program I and II, which were merged, amended and restated effective May 24, 2007 pursuant to stockholder approval).

Upon the occurrence of a change in control, the Program provides the following benefits to employees who have received awards under the Plan:

Immediate vesting of all outstanding unexercisable stock options; and

Immediate vesting of all outstanding RSUs.

For purposes of the Program, the definition of a change in control is the same as included in the Company s CIC Plan (see pages 28-30 for more details).

All agreements with respect to awards of stock options and RSUs granted under the 2007 GlobalShare Program provide for immediate vesting of all outstanding awards in the event of a termination by reason of death or disability as defined under the Program.

*L. Kevin Kelly.* The table below shows the additional benefits and payments to be made in the event of a termination by the Company without cause, resignation by the executive for good reason, termination by reason of death or long-term disability, or termination following a change in control of the Company, on December 31, 2007.

**Contingent Payments**

	<b>Involuntary Termination Without Cause or Voluntary Resignation For Good Reason (1)</b>	<b>Death or Long- Term Disability (2)</b>	<b>Termination Following a Change in Control (3)</b>
Base salary	\$ 1,200,000	\$ 0	\$ 2,000,000
Management bonus	\$ 1,200,000	\$ 0	\$ 2,000,000



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Vesting of unexercisable stock options (4)	\$	0	\$ 32,044	\$ 32,044
Vesting of outstanding restricted stock units (5)	\$	0	\$ 1,732,740	\$ 1,732,740
Excise tax gross-up (6)	\$	0	\$ 0	\$ 0
<b>Total</b>	<b>\$</b>	<b>2,400,000</b>	<b>\$ 1,764,784</b>	<b>\$ 5,764,784</b>

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- (1) The amounts reflect benefits payable under the executive's employment agreement equal to one and a half times base salary plus the management incentive target.
- (2) The immediate vesting of the equity awards is a benefit provided under all of Mr. Kelly's outstanding equity agreements.
- (3) The amounts reflect benefits payable under the Company's CIC Plan (and under the executive's employment agreement) if the executive is terminated by the Company without cause or the executive voluntarily resigns for good reason within a period of two years following the change in control. For Mr. Kelly, the severance benefit is equal to two and a half times base salary plus the management incentive target. Upon a change in control, the vesting of the equity will be accelerated even if employment continues.
- (4) The amounts are equal to the difference between the closing stock price on December 31, 2007 (\$37.11) and the option exercise price multiplied by the number of outstanding unexercisable stock options.
- (5) The amounts are equal to the closing stock price on December 31, 2007 (\$37.11) multiplied by the number of outstanding unvested RSUs.
- (6) The amount, if any, reflects the gross-up payment for any excise tax incurred by the named executive officer as a result of receiving change in control benefits.

*Eileen A. Kamerick.* The table below shows the additional benefits and payments to be made in the event of a termination by the Company without cause, termination by reason of death or long-term disability, or termination following a change in control of the Company, on December 31, 2007.

**Contingent Payments**

	<b>Involuntary Termination Without Cause (1)</b>	<b>Death or Long- Term Disability (2)</b>	<b>Termination Following a Change in Control (3)</b>
Base salary	\$ 550,000	\$ 0	\$ 1,100,000
Management bonus	\$ 550,000	\$ 0	\$ 1,100,000
Vesting of unexercisable stock options (4)	\$ 0	\$ 40,042	\$ 40,042
Vesting of outstanding restricted stock units (5)	\$ 0	\$ 1,739,346	\$ 1,739,346
Excise tax gross-up (6)	\$ 0	\$ 0	\$ 815,555
<b>Total</b>	<b>\$ 1,100,000</b>	<b>\$ 1,779,388</b>	<b>\$ 4,794,942</b>

- (1) The amounts reflect benefits payable under the Company's Severance Plan equal to one time base salary plus the management incentive target.
- (2) The immediate vesting of the equity awards is a benefit provided under all of Ms. Kamerick's outstanding equity agreements.

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- (3) The amounts reflect benefits payable under the Company's CIC Plan if the executive is terminated by the Company without cause or the executive voluntarily resigns for good reason within a period of two years following the change in control. For Ms. Kamerick, the severance benefit is equal to two times base salary plus the management incentive target. Upon a change in control, the vesting of the equity will be accelerated even if employment continues.
- (4) The amounts are equal to the difference between the closing stock price on December 31, 2007 (\$37.11) and the option exercise price multiplied by the number of outstanding unexercisable stock options.
- (5) The amounts are equal to the closing stock price on December 31, 2007 (\$37.11) multiplied by the number of outstanding unvested RSUs.
- (6) The amount, if any, reflects the gross-up payment for any excise tax incurred by the named executive officer as a result of receiving change in control benefits.

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*Valerie E. Germain.* The table below shows the additional benefits and payments to be made in the event of a termination by the Company without cause, termination by reason of death or long-term disability, or termination following a change in control of the Company, on December 31, 2007.

**Contingent Payments**

	<b>Involuntary Termination Without Cause (1)</b>	<b>Death or Long- Term Disability (2)</b>	<b>Termination Following a Change in Control (3)</b>
Base salary	\$ 237,500	\$ 0	\$ 475,000
Management bonus	100,000	0	200,000
Vesting of unexercisable stock options (4)	0	1,980	1,980
Vesting of outstanding restricted stock units (5)	0	702,381	702,381
Excise tax gross-up (6)	0	0	0
<b>Total</b>	<b>\$ 337,500</b>	<b>\$ 704,361</b>	<b>\$ 1,379,361</b>

- (1) The amounts reflect benefits payable under the Company's Severance Plan equal to one half times base salary plus one half times the management incentive target.
- (2) The immediate vesting of the equity awards is a benefit provided under all of Ms. Germain's outstanding equity agreements.
- (3) The amounts reflect benefits payable under the Company's CIC Plan if the executive is terminated by the Company without cause or the executive voluntarily resigns for good reason within a period of two years following the change in control. For Ms. Germain, the severance benefit is equal to one time base salary plus the management incentive target. Upon a change in control, the vesting of the equity will be accelerated even if employment continues.
- (4) The amounts are equal to the difference between the closing stock price on December 31, 2007 (\$37.11) and the option exercise price multiplied by the number of outstanding unexercisable stock options.
- (5) The amounts are equal to the closing stock price on December 31, 2007 (\$37.11) multiplied by the number of outstanding unvested RSUs.
- (6) This benefit is not available to Ms. Germain.

*David C. Peters.* The table below shows the additional benefits and payments to be made in the event of a termination by the Company without cause, termination by reason of death or long-term disability, or termination following a change in control of the Company, on December 31, 2007.

**Contingent Payments**

<b>Involuntary Termination Without</b>	<b>Death or Long-Term Disability (2)</b>	<b>Termination Following a Change in</b>
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	Cause (1)		Control (3)
Base salary	\$ 656,000	\$ 0	\$ 1,312,000
Management bonus	\$ 316,000	\$ 0	\$ 632,000
Vesting of unexercisable stock options (4)	\$ 0	\$ 0	\$ 0
Vesting of outstanding restricted stock units (5)	\$ 0	\$ 733,962	\$ 733,962
Excise tax gross-up (6)	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 972,000</b>	<b>\$ 733,962</b>	<b>\$ 2,677,962</b>

- (1) The amounts reflect benefits payable under the Company's Severance Plan equal to one time base salary plus the management incentive target.

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- (2) The immediate vesting of the equity awards is a benefit provided under all of Mr. Peters' outstanding equity agreements.
- (3) The amounts reflect benefits payable under the Company's CIC Plan if the executive is terminated by the Company without cause or the executive voluntarily resigns for good reason within a period of two years following the change in control. For Mr. Peters, the severance benefit is equal to two times base salary plus the management incentive target. Upon a change in control, the vesting of the equity will be accelerated even if employment continues.
- (4) The amounts are equal to the difference between the closing stock price on December 31, 2007 (\$37.11) and the option exercise price multiplied by the number of outstanding unexercisable stock options.
- (5) The amounts are equal to the closing stock price on December 31, 2007 (\$37.11) multiplied by the number of outstanding unvested RSUs.
- (6) The amount, if any, reflects the gross-up payment for any excise tax incurred by the named executive officer as a result of receiving change in control benefits. Since this executive is based in London, England and does not pay any U.S. taxes, a gross-up payment is not required since he is exempt from any excise tax liability.

*Charles G. Davis.* The table below shows the additional benefits and payments to be made in the event of a termination by the Company without cause, termination by reason of death or long-term disability, or termination following a change in control of the Company, on December 31, 2007.

**Contingent Payments**

	<b>Involuntary Termination Without Cause (1)</b>	<b>Death or Long-Term Disability (2)</b>	<b>Termination Following a Change in Control (3)</b>
Base salary	\$ 613,361	\$ 0	\$ 1,226,723
Management bonus	308,280	0	616,560
Vesting of unexercisable stock options (4)	0	0	0
Vesting of outstanding restricted stock units (5)	0	438,974	438,974
Excise tax gross-up (6)	0	0	0
<b>Total</b>	<b>\$ 921,641</b>	<b>\$ 438,974</b>	<b>\$ 2,282,257</b>

- (1) The amounts reflect benefits payable under the Company's Severance Plan equal to one time base salary plus the management incentive target.
- (2) The immediate vesting of the equity awards is a benefit provided under all of Mr. Davis' outstanding equity agreements.
- (3) The amounts reflect benefits payable under the Company's CIC Plan if the executive is terminated by the Company without cause or the executive voluntarily resigns for good reason within a period of two years following the change in control. For Mr. Davis, the severance benefit is equal to two times base salary plus the management incentive target. Upon a change in control, the vesting of the equity will be accelerated even if employment continues.

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- (4) The amounts are equal to the difference between the closing stock price on December 31, 2007 (\$37.11) and the option exercise price multiplied by the number of outstanding unexercisable stock options.
- (5) The amounts are equal to the closing stock price on December 31, 2007 (\$37.11) multiplied by the number of outstanding unvested RSUs.
- (6) The amount, if any, reflects the gross-up payment for any excise tax incurred by the named executive officer as a result of receiving change in control benefits. Since this executive is based in Sydney, Australia and does not pay any U.S. taxes, a gross-up payment is not required since he is exempt from any excise tax liability.

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**DIRECTOR COMPENSATION**

The Company provides compensation to non-employee directors that is competitive with other similarly-sized publicly traded companies in order to attract and retain the most qualified directors. Compensation is paid in a mix of cash and equity to ensure directors are aligned with the interests of the stockholders and the long-term strategy of the Company. Additional compensation is also provided to a director who serves as chair of the Board of Directors or a Board Committee to reflect the additional time requirements, additional risk and skill-level required to fulfill this role.

On May 24, 2007, the Nominating and Board Governance Committee of the Board of Directors reviewed and recommended to the Board who unanimously approved changes to the annual director compensation program. The changes are effective May 24, 2007 and are described below. The Company does not provide any compensation to directors who are also employees of the Company for their service as directors.

*Cash Compensation.* Each director receives an annual cash retainer of \$50,000 which was increased to \$75,000 effective May 24, 2007. All cash retainers are payable on a quarterly basis.

The Audit and Finance Committee Chair receives an additional cash retainer of \$25,000. Effective May 24, 2007, the Audit and Finance Committee Chair retainer was increased to \$30,000 and an additional cash retainer of \$10,000 was initiated for each member of the Audit and Finance Committee. The Human Resources and Compensation Committee Chair receives an additional cash retainer of \$10,000 which was increased to \$15,000 effective May 24, 2007. The Nominating and Board Governance Committee Chair continues to receive an additional cash retainer of \$10,000.

On May 24, 2007, Mr. Beattie was elected to Non-Executive Chair of the Board of Directors. In that capacity, he will receive an additional cash retainer of \$100,000.

In addition, the Company reimburses the directors for any out-of-pocket expenses associated with their service as directors.

*Equity Compensation.* Each director receives an annual equity retainer of \$75,000 (\$50,000 in 2006) payable in the form of RSUs awarded as of the date of the Company's annual meeting of stockholders. The RSUs vest and are payable on the date a director ceases to serve on the Board. A director may also elect to receive shares of common stock in lieu of the RSUs described above. For a director who joins the Board after the Company's annual meeting of stockholders, a pro-rata equity award will be made on the date of his/her appointment to the Board. The Company no longer grants awards of stock options to its directors.

*Non-Employee Directors Voluntary Deferred Compensation ( VDC ) Plan.* Pursuant to the Company's Non-Employee Directors Voluntary Deferred Compensation ( VDC ) Plan, the directors may defer up to 100% of their cash compensation per year. To enroll in the Company's VDC plan, a director needs to complete an election form in a timely manner and choose from investment funds offered by Vanguard (VDC Plan administrator). A participant is not allowed to invest directly in Company stock. Vanguard calculates the earnings for the funds selected for each director's account. The election remains in effect for all subsequent years until a director makes a different election. The distributions are payable in a lump sum on the date a director ceases to serve on the Board.

*Stock Ownership Guidelines.* Consistent with emerging best practices, the Company adopted stock ownership guidelines for the directors on May 24, 2007. Each director has three years to maintain a stock ownership level equal to three times the annual cash retainer (\$225,000 in 2007). Stock included for determining the satisfaction of the guidelines includes direct stock ownership and RSUs.

*Director Summary Compensation Table.* The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2007.



**Table of Contents****Director Compensation in 2007**

<b>Name (1)</b>	<b>Fees Earned or Paid in Cash (\$ (2))</b>	<b>Stock Awards (\$ (3))</b>	<b>Option Awards (\$ (4))</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Richard I. Beattie	135,549(5)(6)	112,274(11)	0	0	0	0	247,823
Antonio Borges	65,110(5)	112,274(12)	0	0	0	0	177,384
John A. Fazio	99,176(5)(7)	112,274(12)	0	0	0	0	211,450
Jill Kanin-Lovers	84,176(8)	112,274(11)	0	0	0	0	196,450
Gary E. Knell	21,196(9)	50,000(13)	0	0	0	0	71,196
Robert E. Knowling, Jr.	71,154(10)	112,274(12)	0	0	0	0	183,428
V. Paul Unruh	71,154(10)	112,274(11)	0	0	0	0	183,428
Douglas C. Yearley	47,787(9)	112,274(12)	0	0	0	0	160,061

(1) L. Kevin Kelly, the Company's Chief Executive Officer, Thomas J. Friel, the Company's Former Chairman of the Board (retired as Chairman and director at the Company's annual meeting of stockholders on May 24, 2007) and Gerard Roche, the Company's Senior Chairman, are not included in this table as they are/were employees of the Company and thus received no compensation for their service as directors. The compensation received by Mr. Kelly as an employee of the Company is shown in the Summary Compensation Table on page 20. The compensation received by Mr. Friel and Mr. Roche as employees is discussed in the Related Person Transaction section on page 43. Mr. Knell was elected to the Company's Board of Directors on September 19, 2007. Mr. Yearley passed away on October 7, 2007.

(2) The amounts reflect the cash compensation earned by each director in 2007 and include amounts deferred at the director's election.

(3) The amounts reflect the expense recognized for financial reporting purposes with respect to 2007 in accordance with FAS 123(R) for RSUs and common stock granted under the 2007 GlobalShare Program.

(4) There were no stock options granted to directors in 2007.

(5) The fees earned were all deferred pursuant to the Company's VDC Plan.

(6) Mr. Beattie earned an additional cash retainer of \$10,000 as Chair of the Nominating and Board Governance Committee. In connection with Mr. Beattie's election to Non-Executive Chair of the Board of Directors on May 24, 2007, he also earned an additional cash retainer of \$60,439.

(7) Mr. Fazio earned an additional cash retainer of \$28,022 as Chair of the Audit and Finance Committee and \$6,044 as a member of that Committee.

(8) Ms. Kanin-Lovers earned an additional cash retainer of \$13,022 as Chair of the Human Resources and Compensation Committee. She also earned an additional cash retainer of \$6,044 as a member of the Audit and Finance Committee.

(9) For Mr. Knell and Mr. Yearley, the annual cash retainer was pro-rated to reflect the number of days each served as a director during 2007.

(10) Mr. Knowling Jr. and Mr. Unruh each earned an additional cash retainer of \$6,044 as members of the Audit and Finance Committee.

(11) The amounts reflect two awards of stock.

- a. The first award is equal to the annual equity retainer of \$75,000 granted on May 24, 2007 (the date of the Annual Meeting of Stockholders).
- b. On May 30, 2006, an award with a value of \$25,000 was made to each director. However, that award did not reflect the increase in the annual equity retainer of \$25,000 (for a total of \$50,000) that was approved by the Board of Directors on December 14, 2005. To make-up for the \$25,000 increase, a second award was made on June 28, 2007 to keep the director in the same financial position as if the grant had been made on May 30, 2006.

(12) The amounts reflect two awards of RSUs with the same value as the two awards of stock described in footnote (11).

(13) The amount reflects a pro rata amount of the annual equity retainer based on the number of months serving as a director until the next Annual Meeting of Stockholders in May 2008.

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**Restricted Stock Units Outstanding at December 31, 2007**

<b>Non-Employee Director</b>	<b>RSUs</b>
Richard I. Beattie	2,879
Antonio Borges	4,770
John A. Fazio	4,181
Jill Kanin-Lovers	870
Gary E. Knell	1,384
Robert E. Knowling, Jr.	6,723
V. Paul Unruh	770
Douglas C. Yearley	0
<b>Total</b>	<b>21,577</b>

**Table of Contents****VOTING SECURITIES OF CERTAIN****BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of the Company's common stock, which is the only outstanding class of voting securities or other equity securities of the Company, as of April 4, 2008 (except where otherwise noted) for (1) the Company's directors, (2) each of the executive officers named in the Summary Compensation Table, (3) each person known to us to be the beneficial owner of 5% or more of the outstanding shares of common stock and (4) all of the directors and executive officers as a group. On April 4, 2008, there were 17,192,933 shares of common stock outstanding. Unless otherwise indicated, and except for stock options not yet exercisable, the Company believes that each beneficial owner has the sole voting and sole investment power over the number of shares listed adjacent to his, her or its name.

Names (1) (2)	Shares of Common Stock Beneficially Owned	
	Number	Percent
Richard I. Beattie	10,297	*
Antonio Borges	4,770	*
John A. Fazio	8,183	*
Jill Kanin-Lovers	4,714	*
Gary E. Knell	1,384	*
Robert E. Knowling, Jr.	6,723	*
Gerard R. Roche (3)	122,010	*
V. Paul Unruh	4,614	*
Charles G. Davis (3)	32,838	*
Valerie E. Germain	23,909	*
Eileen A. Kamerick (3)	67,148	*
L. Kevin Kelly (3)	120,164	*
David C. Peters (3)	26,731	*
Barclays Global Investors, NA (4)	1,346,476	7.8
Kornitzer Capital Management, Inc. (5)	1,542,900	9.0
NFJ Investment Group L.P. (6)	1,002,500	5.8
Royce & Associates LLC (7)	1,903,433	11.1
William Blair & Company, L.L.C. (8)	1,782,882	10.4
On April 4, 2008, the shares beneficially owned by all executive officers and directors as a group (15 persons) were:	486,281	2.8

\* Represents holdings of less than one percent (1%).

- (1) The mailing address for each executive officer and director is 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606-6303.
- (2) In computing the number of shares beneficially owned by a person and the percentage ownership of that person, restricted stock units and shares of common stock issuable pursuant to stock options that are exercisable on April 4, 2008, or which will become exercisable within 60 days of that date, are deemed issued and outstanding. These shares, however, are not deemed outstanding for purposes of computing the percentage ownership of any other stockholder.
- (3) The number of shares shown includes shares issuable pursuant to stock options granted under the GlobalShare Program, which were exercisable on April 4, 2008, or which will become exercisable within 60 days of that date as follows: Mr. Davis, 217 shares; Mr. Kelly 42,715 shares; Mr. Peters, 2,000 shares; Mr. Roche, 29,988; and Ms. Kamerick, 28,166 shares.

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- (4) Based on information contained in Schedule 13G filed with the Securities and Exchange Commission on February 5, 2008. The mailing address for Barclays Global Investors, NA is 45 Fremont Street, San Francisco, California 94105.

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- (5) Based on information contained in Schedule 13G filed with the Securities and Exchange Commission on March 4, 2008. The mailing address for Kornitzer Capital Management, Inc. is 5420 West 61<sup>st</sup> Place, Shawnee Mission, Kansas 66205.
  
- (6) Based on information contained in Schedule 13G filed with the Securities and Exchange Commission on February 14, 2008. The mailing address for NFJ Investment Group L.P. is 2100 Ross Avenue, Suite 700, Dallas, Texas 75201.
  
- (7) Based on information contained in Schedule 13G filed with the Securities and Exchange Commission on January 3, 2008. The mailing address for Royce & Associates, LLC. Is 1414 Avenue of the Americas, New York, New York 10019.
  
- (8) Based on information contained in Schedule 13G filed with the Securities and Exchange Commission on February 15, 2008. The mailing address for William Blair & Company, L.L.C. is 222 West Adams Street, Chicago, Illinois 60606.

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**PROPOSAL II RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

On the recommendation of the Audit and Finance Committee, the Board of Directors has selected KPMG LLP as the Company's independent registered public accounting firm for the current fiscal year ending December 31, 2008, and has further directed that management submit the selection of the independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. KPMG LLP was the independent registered public accounting firm for the Company for the fiscal year ended December 31, 2007, and has been the independent registered public accounting firm for the Company since 2002. We are asking the stockholders to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year 2008.

Representatives of KPMG LLP are expected to attend the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate stockholder questions.

Stockholder ratification of the selection of KPMG LLP as the Company's independent registered public accounting firm is not required by the Company's Amended and Restated Bylaws or other applicable legal requirements. However, the Board of Directors is submitting the selection of KPMG LLP to the stockholders for ratification as a matter of good corporate practice. In the event stockholders fail to ratify the appointment, the Board of Directors may reconsider this appointment. Even if the appointment is ratified, the Board of Directors, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Board of Directors determines that such a change would be in the Company's and stockholders' best interests.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF KPMG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY.**

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**REPORT OF THE AUDIT AND FINANCE COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit and Finance Committee of the Board of Directors is responsible for providing general oversight of the Company's financial accounting and reporting processes, selection of critical accounting policies, and the Company's system of internal controls. The Audit and Finance Committee is presently comprised of four directors, Messrs. Knowling, Fazio and Unruh and Ms. Kanin-Lovers, each of whom is independent within the meaning of the Company's Director Independence Standards and the applicable NASDAQ Rules. The Board of Directors has determined that John A. Fazio and V. Paul Unruh are audit committee financial experts as defined in the rules and regulations of the SEC Rules. During 2007, the Audit and Finance Committee met twelve times.

As part of its oversight of the Company's financial statements, the Audit and Finance Committee reviews and discusses with both management and its independent registered public accounting firm, KPMG LLP, all annual and quarterly financial statements prior to their issuance. The Audit and Finance Committee reviews key initiatives and programs aimed at strengthening the effectiveness of the Company's disclosure control structures, including its internal controls.

The Audit and Finance Committee has discussed with KPMG LLP the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, as amended ( Communication with Audit Committees ). The Audit and Finance Committee has also discussed with KPMG LLP matters relating to its independence, including the written disclosures and letter from KPMG LLP to the Audit Committee pursuant to Independence Standards Board Standard No. 1 ( Independence Discussions with Audit Committees ), as currently in effect.

The Audit and Finance Committee's meetings include, whenever appropriate, executive sessions with KPMG LLP and with the Company's Vice President of Internal Audit, in each case without the presence of management, to raise and discuss any issues they may have about the financial statements and the adequacy and proper functioning of the Company's internal and disclosure control systems and procedures.

In performing these functions, the Audit and Finance Committee acted and continues to act only in an oversight capacity on behalf of the Board of Directors. Management has primary responsibility for the Company's financial statements and the overall reporting process, including its systems of internal and disclosure controls. In its oversight role, the Audit and Finance Committee necessarily relies on the procedures, work and assurances of management. KPMG LLP has audited the annual financial statements prepared by management, expressed an opinion as to whether those financial statements fairly present the Company's financial position, results of operation and cash flows in conformity with generally accepted accounting principles in the U.S., and discussed any issues they believe should be raised with the Audit and Finance Committee.

During 2007, management documented, tested and evaluated the Company's internal controls pursuant to the requirements of the Sarbanes-Oxley Act of 2002. Management and KPMG LLP kept the Audit and Finance Committee apprised of the Company's progress at each regularly scheduled Audit and Finance Committee meeting. Management has provided the Audit and Finance Committee with a report on the effectiveness of its internal controls. The Audit and Finance Committee has reviewed management's assessment of the effectiveness of the Company's internal controls and KPMG LLP's report thereon included in the Annual Report on Form 10-K for the year ended December 31, 2007.

Based on the above mentioned reviews and discussions with management and its independent registered public accounting firm, the undersigned Audit and Finance Committee members recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2007. The Audit and Finance Committee has also recommended that KPMG LLP be selected as the Company's independent registered public accounting firm for 2008.

**THE AUDIT AND FINANCE COMMITTEE**

John A. Fazio (Chair)

Robert E. Knowling, Jr.

Jill Kanin-Lovers

V. Paul Unruh





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**AUDIT FEES**

The Audit and Finance Committee has established a policy governing the engagement of the Company's independent auditors for audit and non-audit services. Under this policy, the Audit and Finance Committee is required to pre-approve all audit and non-audit services performed by the Company's independent auditors to assure that the provision of such services does not impair the auditor's independence. The independent auditor may not perform any non-audit service which independent auditors are prohibited from performing under the SEC Rules or the rules of the Public Company Accounting Oversight Board. All non-audit services performed by KPMG LLP in 2007 were pre-approved by the Audit and Finance Committee.

At the beginning of each fiscal year, the Audit and Finance Committee reviews with management and the independent auditor the types of services that are likely to be required throughout the year. For each proposed service, the independent auditor provides documentation regarding the specific services to be provided. At that time, the Audit and Finance Committee pre-approves a list of specific audit related services that may be provided and sets fee limits for each specific service or project. Management is then authorized to engage the independent auditor to perform the pre-approved services as needed throughout the year, subject to providing the Audit and Finance Committee with regular updates. The Audit and Finance Committee must review and approve in advance, on a case-by-case basis, all other projects, services and fees to be performed by or paid to the independent auditor. The Audit and Finance Committee also must approve in advance any fees for pre-approved services that exceed the pre-established limits, as described above.

All services provided by KPMG LLP in 2007 were, and all services to be provided by KPMG LLP in 2008 will be, permissible under applicable laws and regulations.

The table below sets forth the fees billed by KPMG LLP for professional services for the last two fiscal years.

<b>Fee Category</b>	<b>2007</b>	<b>2006</b>
Audit Fees (1)	\$ 1,475,000	\$ 1,831,179
Audit-Related Fees (2)	24,000	183,377
Tax Fees (3)	24,530	18,800
All Other Fees		
<b>Total Fees</b>	<b>\$ 1,523,530</b>	<b>\$ 2,033,356</b>

- (1) Fees for professional services rendered for the audit of the Company's annual consolidated financial statements, reviews of the consolidated financial statements included in its Quarterly Reports on Form 10-Q, statutory audits required internationally and the audit of the Company's internal controls over financial reporting.
- (2) Fees for professional services relating to due diligence services with respect to the acquisition of Highland Partners in 2006 and the audit of the Company's 401(k) plan in 2007 and 2006.
- (3) Fees for tax compliance services.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Various Company policies and procedures, which include the Code of Business Conduct (applicable to all executive officers and non-employee directors) and annual questionnaires completed by all Company directors and executive officers, require disclosure of transactions or relationships that may constitute conflicts of interest or otherwise require disclosure under applicable SEC and NASDAQ Rules. Pursuant to its charter, the Nominating and Board Governance Committee of the Board of Directors in consultation with the Audit and Finance Committee reviews and approves related party transactions. Although the Company's processes vary with the particular transaction or relationship, when such a transaction or relationship is identified, the Nominating and Board Governance Committee evaluates the transaction or relationship and approves or ratifies it (without the vote of any interested person) only if it is judged to be fair and in the best interests of the Company. In addition, it is the practice of the Nominating and Board Governance Committee, although not part of a written policy, to review each of the transactions specifically disclosed as a related person transaction in connection with its review of the proxy statement for the Annual Meeting of Stockholders, to the extent any such transaction has not previously been reviewed, applying the same standard.

Mr. Gerard R. Roche is a director and an employee of the Company, serving as its Senior Chairman. In 2007, Mr. Roche earned total compensation of \$1,215,896 consisting of (i) a base salary of \$1,000,000, (ii) a warrant bonus of \$15,000, (iii) an award of 3,000 restricted stock units with a fair market value of \$145,350 on the date of grant (March 20, 2007), and (iv) other benefits of \$55,546.

Mr. Thomas J. Friel was an employee of the Company until June 30, 2007, serving as the Company's Non-Executive Chairman until May 24, 2007. In 2007, Mr. Friel earned total compensation of \$126,498, consisting of (i) a base salary of \$75,000 (\$150,000 annually), (ii) a FSOB bonus of \$44,579 paid in cash, and (iii) other benefits of \$6,919. In addition, the Board of Directors approved the continued vesting of 16,667 stock options and 40,000 restricted stock units that Mr. Friel would have otherwise forfeited upon his retirement from the Company.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires that the Company's officers and directors, and persons who own ten percent (10%) or more of a registered class of the Company's equity securities, file reports of ownership on Form 3 and changes in ownership on Forms 4 or 5 with the Securities and Exchange Commission. These officers, directors and persons holding ten percent (10%) or more of the outstanding shares of Company common stock are also required by the Securities and Exchange Commission rules to furnish the Company with copies of all forms they file.

Based solely on a review of the copies of the forms and written representations from certain reporting persons, the Company believes that, during 2007, all forms required under Section 16(a) applicable to its officers, directors, and persons holding ten percent (10%) or more of the outstanding shares of Company common stock were filed on a timely basis except for: one Form 4 for Mr. Blake, one Form 4 for Mr. Davis, two Forms 4 for Mr. Fazio, one Form 4 for Mr. Kelly, three Forms 4 for Mr. Peters and one Form 3 for Mr. Knell, each of which was filed late.

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**STOCKHOLDER PROPOSALS FOR NEXT YEAR'S ANNUAL MEETING**

*Advance Notice Procedures.* Under the Company's Amended and Restated Bylaws, no business may be brought before an Annual Meeting unless it is specified in the notice of the meeting or is otherwise brought before the meeting by or at the direction of the Board or by a stockholder entitled to vote at the meeting who has delivered advance notice to the Company. The advance notice must contain certain information specified in the Company's Amended and Restated Bylaws and be delivered to the Secretary at the Company's principal executive offices (233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606) not less than sixty (60) days nor more than ninety (90) days prior to the first anniversary of the preceding year's Annual Meeting. These requirements are separate from and in addition to the Securities and Exchange Commission's requirements that a stockholder must meet in order to have a stockholder proposal included in the proxy statement for the 2008 Annual Meeting of Stockholders pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (SEC Rule 14a-8) and apply regardless of whether the stockholder is seeking to include the proposal in the Company's proxy statement.

*Stockholder Proposals to be Included in the Proxy Statement.* Proposals of the Company's stockholders intended to be included in the proxy materials for the 2009 Annual Meeting of Stockholders must be received by the Secretary at the Company's principal executive offices by December 22, 2008. Stockholders interested in submitting a proposal for inclusion in the proxy materials for the 2009 Annual Meeting of Stockholders may do so by following the procedures prescribed in SEC Rule 14a-8. A proposal that does not comply with the applicable requirements of SEC Rule 14a-8 will not be included in the Company's proxy materials for the 2009 Annual Meeting of Stockholders.

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**OTHER MATTERS**

As of the date of this Proxy Statement, the above is the only business the Company is aware of that is to be acted upon at the Annual Meeting. If, however, other matters should properly come before the Company at the Annual Meeting, the persons named in the proxy will vote on those matters according to their best judgment.

By the order of the Board of Directors,  
K. Steven Blake  
*Secretary*

Chicago, Illinois

April 21, 2008

**YOUR VOTE IS IMPORTANT. THE PROMPT RETURN OF PROXIES WILL SAVE US THE EXPENSE OF FURTHER REQUESTS FOR PROXIES. PLEASE MARK, SIGN, DATE AND RETURN YOUR PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE**



**You can view the Annual Report and Proxy Statement**

**on the Internet at <http://phx.corporate-ir.net/phoenix.zhtml?c=91196&p=proxy>**

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**PROXY FOR ANNUAL MEETING**

**This Proxy is Solicited on Behalf of the Board of Directors of**

**Heidrick & Struggles International, Inc.**

**InterContinental Barclay**

**111 East 48th Street**

**New York, New York 10017**

I hereby appoint K. Steven Blake and Stephen W. Beard, or each of them as Proxies, with full power of substitution to vote, as directed, all the shares of common stock of Heidrick & Struggles International, Inc. held of record by me as of April 4, 2008, at the Annual Meeting of Stockholders to be held on May 22, 2008, or any adjournment of the meeting. This Proxy authorizes each of them to vote in their discretion on any matter that may properly come before the annual meeting or any adjournment of the meeting.

(Continued and to be signed on other side)

**Address Change/Comments (Mark the corresponding box on the reverse side)**

**p FOLD AND DETACH HERE p**

***You can now access your Heidrick & Struggles International, Inc. account online.***

Access your Heidrick & Struggles International, Inc. stockholder account online via Investor ServiceDirect® (ISD).

The transfer agent for Heidrick & Struggles International, Inc., now makes it easy and convenient to get current information on your stockholder account.

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View certificate history

View book-entry information

View payment history for dividends

Make address changes

Obtain a duplicate 1099 tax form



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THE BOARD OF DIRECTORS OF HEIDRICK & STRUGGLES INTERNATIONAL, INC. RECOMMENDS THAT YOU APPROVE THE PROPOSALS LISTED BELOW.

Please Mark Here for Address .. Change or Comments **SEE REVERSE SIDE**

I. ELECTION OF DIRECTORS (Mark only one box).

Nominees:

	FOR	WITHHOLD		FOR	AGAINST	ABSTAIN
01 L. Kevin Kelly	all nominees listed	<b>AUTHORITY</b>				
02 Robert E. Knowling, Jr.	(except as marked	to vote for all		..	..	..
03 Gerard R. Roche	to the contrary)	nominees listed				
04 V. Paul Unruh	..	..				

(INSTRUCTION: To withhold authority to vote for any individual nominee, check the FOR box and strike a line through that nominee's name in the list above.)

II. To ratify the appointment by the Board of Directors of KPMG LLP as the Company's independent registered public accounting firm.

This Directive, when properly executed, will be processed in the manner directed herein by the undersigned. If no direction is made, this Directive will be processed FOR Proposal I.

Please sign your name on this Directive exactly as it appears to the left of the signature line.

Dated: \_\_\_\_\_, 2008

\_\_\_\_\_  
Your Signature

PLEASE MARK, SIGN, DATE AND RETURN YOUR DIRECTIVE PROMPTLY USING THE ENCLOSED ENVELOPE.

p FOLD AND DETACH HERE p

You can view the Annual Report and Proxy Statement

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on the Internet at <http://phx.corporate-ir.net/phoenix.zhtml?c=91196&p=proxy>

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**DIRECTIVE FOR ANNUAL MEETING**

**This Directive is Solicited on Behalf of the Vanguard Fiduciary Trust Company  
as Trustee of the Heidrick & Struggles, Inc. 401(k) Profit Sharing and Retirement Plan**

**c/o The Vanguard Group**

**100 Vanguard Boulevard**

**Malvern, Pennsylvania 19355**

I hereby direct Vanguard Fiduciary Trust Company as Trustee of the Heidrick & Struggles, Inc. 401(k) Profit Sharing and Retirement Plan to complete a proxy, as directed, for all the shares of common stock of Heidrick & Struggles International, Inc. held by me in my Heidrick & Struggles, Inc. 401(k) Profit Sharing and Retirement Plan account as of April 4, 2008, at the Annual Meeting of Stockholders to be held on May 22, 2008, or any adjournment of the meeting.

(Continued and to be signed on other side)

**Address Change/Comments (Mark the corresponding box on the reverse side)**

p **FOLD AND DETACH HERE** p