HEIDRICK & STRUGGLES INTERNATIONAL INC
Form 8-K
March 02, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): 02/22/2011

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Commission File Number: 0-25837

Delaware	**36-2681268**
(State or other jurisdiction	**(IRS Employer**

of incorporation) **Identification No.)**

233 S. Wacker Dr., Suite 4200, Chicago, IL 60606

(Address of principal executive offices, including zip code)

312-496-1200

(Registrant s telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240. 13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On February 22, 2011, Heidrick & Struggles International, Inc. issued a news release reporting its 2010 fourth quarter and 2010 financial results. A copy of the news release is attached hereto as Exhibit 99.1 to this report and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

Exhibit Number	Description
99.1	Company Press Release Dated February 22, 2011

SIGNATURES

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

Date: March 2, 2011	By:	/s/ Stephen W. Beard
		Stephen W. Beard
		Executive Vice President, General Counsel and Secretary

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$
(23,755
)

460,706

Noncontrolling interests in Income (Loss) of Consolidated Subsidiaries

$
13,246

—

—

—

69,966

N

—

—

—

$ 83,212

Net Income (Loss) Attributable to Common Stockholders

$ 268,636

$ 15,260

$ 12,422

$ 240,280

$ (203,736)

$ 18,071

$ 26,561

$ (23,755)

$ 377,494

Net Income Per Share of Common Stock

Basic

$
1.34

S

$
1.52

Diluted

$
1.32

S

$
1.51

Weighted Average Number of Shares of Common Stock Outstanding

Basic

200,739,809

S

$
249,043,331

Diluted

202,907,605

S

$ 249,257,768

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New Residential Investment Corp.
Walter & WCO Acquisition
Pro Forma Income Statement
Six Months ended 6/30/2016

	Historical New Residential Investment Corp.	Historical SpringCastle	Pro Forma Adjustments	Walter Pro Forma Adjustments	WCO Pro Forma Adjustments	NRZ Management & Incentive Fee Adjustment	Pro Forma Combined
	For the six months ended June 30, 2016	For the three months ended March 31, 2016	For the three months ended March 31, 2016	For the six months ended June 30, 2016	For the six months ended June 30, 2016	For the six months ended June 30, 2016	For the six months ended June 30, 2016
Interest income	$ 467,513	100,131	(13,218) **I**	—	—	—	$ 554,426
Interest expense	181,913	19,654	(195) **J**	3,648 **O**	2,811 **O**	—	207,832
Net Interest Income	285,600	80,477	(13,023)	(3,648)	(2,811)	—	346,594
Net Servicing Fee Income*	—	—	—	11,032 **P**	15,271 **P**	—	$ 26,303
Impairment							
Other-than-temporary impairment (OTTI) on securities	6,073	—	—	—	—	—	$ 6,073
Valuation provision on loans	23,570	14,043	—	—	—	—	37,613
	29,643	14,043	—	—	—	—	43,686
Net interest income after impairment	255,957	66,434	(13,023)	7,383	12,460	—	329,211
Other Income							
Change in fair value of investments in excess mortgage servicing rights	(7,337)	—	—	—	—	—	$ (7,337)
Change in fair value of investments in excess mortgage servicing rights, equity method	2,347	—	—	—	—	—	2,347

investees							
Change in fair value of investments in servicer advances	(17,278)	—	—	—	—	—	(17,278)
Gain on consumer loans investment	9,943	—	(9,943) **K**	—	—	—	—
Gain on remeasurement of consumer loans investment	71,250	—	(71,250) **K**	—	—	—	—
Gain on settlement of investments, net	(27,211)	—	—	—	—	—	(27,211)
Other income	(19,515)	—	—	—	—	—	(19,515)
	12,199	—	(81,193)	—	—	—	(68,994)
Operating Expenses							
General and administrative expenses	19,305	—	1,668 **L**	—	—	—	$ 20,973
Management fee to affiliate	20,016	—	—	—	—	2,132 **R**	22,148
Incentive compensation to affiliate	6,125	—	—	—	—	5,177 **R**	11,302
Loan servicing expense	15,850	11,571	—	—	—	—	27,421
Other expense	—	1,668	(1,668) **L**	—	—	—	—
	61,296	13,239	—	—	—	7,309	81,844
Income (Loss) Before Income Taxes	206,860	53,195	(94,216)	7,383	12,460	(7,309)	$ 178,373
Income tax expense	(2,705)	—	—**M**	422 **Q**	506 **Q**	—	(1,778)
Net Income (Loss)	$ 209,565	$ 53,195	$ (94,216)	$ 6,961	$ 11,954	$ (7,309)	180,151
Noncontrolling interests in Income (Loss) of Consolidated Subsidiaries	$ 29,177	—	18,680 **N**	—	—	—	$ 47,857
Net Income (Loss) Attributable to Common Stockholders	$ 180,388	$ 53,195	$ (112,896)	$ 6,961	$ 11,954	$ (7,309)	$ 132,294
Net Income Per							

Share of Common Stock				
Basic	$	0.78	**S** $	0.53
Diluted	$	0.78	**S** $	0.53
Weighted Average Number of Shares of Common Stock Outstanding				
Basic		230,474,796	**S**	249,043,331
Diluted		230,689,233	**S**	249,257,768

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NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

Walter Transactions

On August 8, 2016, New Residential Investment Corp. (New Residential or Company) and Walter Investment Management Corp. (Walter) entered into an agreement (Purchase Agreement) for the purchase and sale of approximately $33billion UPB of seasoned conventional mortgage servicing rights (MSRs) and $24 million in servicer advances for a purchase price of approximately $240 million.

In addition, New Residential, Walter and Walter Capital Opportunity, LP have agreed in principle for the purchase and sale of substantially all of the assets of Walter Capital Opportunity, LP and its subsidiaries (WCO), along with certain related assets owned by Walter, which collectively, represent approximately $35 billion UPB of MSRs and $42 million in servicer advances for a purchase price of approximately $307 million.

Pro Forma Adjustments for Unaudited Pro Forma Combined Balance Sheet as of June 30, 2016

Walter Transactions

A. Reflects the issuance on August 10, 2016 of approximately 18,568,535 shares of common stock in a public offering with net proceeds of approximately $275 million. In connection with the offering, we will issue to our Manager options relating to shares of our common stock, representing 10% of the number of shares being offered, pursuant to our Nonqualified Stock Option and Incentive Award Plan.

B. Reflects the impact of New Residential entering into new financing arrangements of $300 million on unencumbered MSRs and servicer advances in contemplation of the Walter and WCO asset acquisitions. Specifically, New Residential expects the following terms for the financing:

- LIBOR plus 300 basis points and 90% loan-to-value ratio (LTV) on Servicer Advances; and,
- LIBOR plus 500 basis point and 50% LTV on MSRs.

A change of 1/8 percent in the interest rate associated with the variable rate borrowings would result in an additional annual interest expense of approximately $1.6 million (in the case of an increase in the rate) or an annual reduction of interest expense of approximately $(1.6) million (in the case of a decrease in the rate).

C. Reflects the acquisition of MSR and servicer advance assets from Walter and WCO for the purchase price of $240 million and $307 million, respectively, which will be funded via the sources described in A and B above. New Residential will acquire MSRs and servicer advances with a fair value based on an estimated settlement date of September 30, 2016 of $481 million ($216 million for Walter, $265 million for WCO) and $66 million ($24 million for Walter, $42 million for WCO), respectively.

Pro Forma Adjustments for the Unaudited Pro Forma Combined Statement of Income for the year ended December 31, 2015

Home Loan Servicing Solutions, Ltd.

New Residential acquired all of the assets and liabilities of Home Loan Servicing Solutions, Ltd. and its subsidiaries on April 6, 2015 and for purposes of the presentation of the pro forma combined statement of income for the year ended December 31, 2015, have included pro forma income for HLSS for the three months ended March 31, 2015 and the five day period from April 1, 2015 through April 5, 2015.

D. The adjustment to Interest income reflects the effective interest income earned on the portfolio of Excess MSRs of $20.2 million and Servicer advances of $69.4 million for the period from January 1, 2015 through April 5, 2015, had the portfolios been acquired by the Company as of January 1, 2015 at their estimated fair market values.

Interest income was adjusted on a pro forma basis to reflect the reversal of Interest income that was related to the following sales of loan portfolios by the Company and HLSS prior to the close of the HLSS Acquisition:

- Eliminate Interest income of $8.1 million for the three months ended March 31, 2015 related to the sale of residential mortgage loans sold by the Company; and
- Eliminate Interest income of $1.6 million for the three months ended March 31, 2015 related to the February 2015 sale of HLSS’s portfolio of RPLs.

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The following summarizes the components of pro forma adjustments to Interest income (in millions):

Interest income adjustments	**For January 1, 2015 through April 5, 2015**
Eliminate Interest income related to the sale of residential mortgage loans sold by the Company	(8.1)
Eliminate Interest income related to the sale of HLSS's portfolio of RPLs	(1.6)
Eliminate historical Interest income HLSS	(71.2)
Add: HLSS Interest income estimated from January 1 through April 5, 2015	89.6
Total pro forma adjustments	**$ 8.7**

E. The adjustment to Interest expense reflects the refinancing of the liabilities incurred in connection with the HLSS Acquisition and for which refinancing terms were agreed upon with the bank counterparties on April 6, 2015. In addition, the adjustment reflects the Interest expense on the new indebtedness of $698.2 million comprising the HLSS seller financing of $385.2 million and debt raised by the Company of $313.0 million in connection with the HLSS Acquisition.

Interest expense is calculated as if the liabilities were assumed or outstanding at January 1, 2015 at their estimated fair values under the terms of the financing that would have been in place at that time and assumptions as to the amount of variable funding necessary over such period. Refer to the table below for a summary of the terms (in millions):

	Coupon	**Principal**	**Weighted Average Interest Rate**	**Weighted Average Maturity**
Term Loan Facility	Fixed	$ 1,800.0	2.03 %	May 9, 2016
Variable Funding Notes	Floating (1M LIBOR + 2.65%)	4,228.6	2.82 %	February 27, 2016
Total		$ 6,028.6	2.58 %	

All of the new indebtedness of $698.2 million is variable rate funding. The refinanced liabilities consist of the remaining variable rate funding of $3,530.4 million and the fixed term loan facility of $1,800.0 million.

The refinancing for purposes of the combined pro forma financial information was considered a modification with the existing lenders, and all historical deferred financing costs are eliminated in applying acquisition accounting as of the closing date. As a result, the amortization of historical deferred financing costs is excluded from the unaudited pro forma combined statements of income for the three months ended March 31, 2015.

The Company refinanced the variable funding notes in the Match funded liabilities with a variable interest rate with the terms set out in the table above based on the terms agreed upon with the bank counterparties on April 6, 2015. A change of 1/8 percent in the interest rate associated with the variable rate borrowings would result in an additional annual interest expense of approximately $3.85 million (in the case of an increase in the rate) or an annual reduction of interest expense of approximately $(3.85) million (in the case of a decrease in the rate).

The additional Interest expense of $0.6 million for January 1, 2015 through April 5, 2015, represents the net interest expense and amortization of commitment fees on the refinancing and the new indebtedness incurred, as well as elimination of Interest expense related to the Term loan facility, repurchase agreement collateralized by reperforming loans sold and related deferred financing costs and derivatives not assumed in the HLSS Acquisition, and elimination of historical NRZ interest expense related to financing for loans sold.

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The following summarizes the pro forma adjustment in the Interest expense (in millions):

	For January 1, 2015 through April 5, 2015
Elimination of historical HLSS interest expense related to the Match funded liabilities	(31.0)
Add: HLSS Interest expense for new indebtedness and refinancing	37.8
Add: Interest expense related to new indebtedness incurred by the Company for the HLSS Acquisition	2.1
Add: Deferred financing costs amortization on HLSS refinancing and the Company’s new indebtedness	1.4
Total additional interest expense from refinancing and new indebtedness	10.3
Elimination of historical HLSS Interest expense due to the repayment of Term loan facility (Refer to note E)	(4.1)
Elimination of historical HLSS Interest expense related to the repaid reperforming loans liability	(1.0)
Elimination of historical HLSS Interest expense related to deferred financing costs and derivatives	(0.5)
Elimination of historical NRZ interest expense related to financing for loans sold	(4.1)
Total eliminations of historical Interest expense	(9.7)
Total pro forma adjustments	**$ 0.6**

F. Certain amounts in the historical statement of income of HLSS have been reclassified to conform to the Company s presentation. In addition, certain non-recurring costs of both the Company and HLSS have been removed from the historical statement of income. These reclassifications and adjustments are as follows:

- Related party revenue of $0.05 million and Other revenue of $1.4 million for the three months ended March 31, 2015, respectively, to Other income, net.
- Compensation and benefits of $2.1 million and Related party expenses of $0.08 million for the three months ended March 31, 2015 to General and administrative expenses.
- The Company and HLSS incurred $4.4 million and $13.1 million of transaction costs in relation to the HLSS Acquisition in the three months ended March 31, 2015, respectively. These transaction costs are non-recurring in nature and have been removed from General and administrative expenses in the pro forma financial information.

In addition, the following amounts in the statement of income of the Company were directly attributable to residential mortgage loans sold by the Company and therefore, have been eliminated:

- Losses within Other income of $0.1 million, each for the three months ended March 31, 2015;
- General and administrative expenses of $1.9 million for the three months ended March 31, 2015; and
- Loan servicing expense of $2.9 million for the three months ended March 31, 2015.

G. In conjunction with the transaction, the Company sold various pools of loans which were consummated prior to and subsequent to March 31, 2015. For loans sold prior to March 31, 2015, the Company recognized a gain of $18.1 million which was reflected in its historical financial statements. For the purposes of this pro forma financial information, the gain has been removed as this represents a non-recurring event.

H. The Company intends to continue to qualify as a REIT under the requirements of the Internal Revenue Code, and as a result, the Company s direct income tax expense is expected to be minimal. Consequently, no additional adjustment to pro forma Income tax expense has been made with respect to the HLSS Acquisition. With respect to the HLSS Acquisition, the Company acquired the taxable subsidiaries of HLSS through the Company s taxable REIT subsidiaries and those subsidiaries are therefore subject to federal income taxes at corporate rates on the taxable basis carried over from HLSS. However, no pro forma adjustment for income tax expense has been reflected in the pro forma statement of income as incremental taxable income is projected to be minimal.

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SpringCastle

As a result of the SpringCastle Transaction on March 31, 2016, New Residential obtained a controlling financial interest in the Consumer Loan Companies, which triggered the application of the acquisition model in ASC No. 805 and consolidation of all of the assets and the related liabilities of the Consumer Loan Companies. For purposes of the presentation of the pro forma combined statement of income for the year ended December 31, 2015 and six months ended June 30, 2016, New Residential has included pro forma income for the Consumer Loan Companies for the year ended December 31, 2015 and three months ended March 31, 2016.

I. The adjustment to interest income reflects i) the impact of NRZ earning contractual interest on the acquired UPB rather than the Historical SpringCastle UPB and ii) the net accretion of the Company s purchase discount or premium and accretable yield for the consumer loan portfolios accounted for under ASC 310-20 and ASC 310-30, respectively, had the portfolios been acquired by the Company as of January 1, 2015.

J. The net adjustments to interest expense of $1.8 million and $0.2 million for the year ended December 31, 2015 and the three months ended March 31, 2016, respectively, reflect 1) the elimination of historical SpringCastle amortization of deferred financing costs and original issue discount of $2.5 million and $0.5 million for the year ended December 31, 2015 and the three months ended March 31, 2016, respectively, and 2) the amortization of $0.7 million and $0.3 million of the Company s debt discount at acquisition using the interest method in accordance with ASC 310-20 for the year ended December 31, 2015 and the three months ended March 31, 2016, respectively, had the Bonds Payable been assumed by the Company as of January 1, 2015.

K. Reflects the elimination of the Company s gain on consumer loans investment representing its historical share of SpringCastle s cumulative earnings that exceeded cumulative cash distributions. Given the SpringCastle Transaction and the Company s consolidation of SpringCastle s assets and liabilities, these gains are replaced with interest income and interest expense on the underlying assets and liabilities as described in I and J above. In addition, for the six months ended June 30, 2016, reflects the elimination of the Company s gain on remeasurement of its existing equity ownership in SpringCastle at acquisition as it represents a nonrecurring gain that would not have a continuing impact on the combined entity.

L. Certain amounts in the historical statement of income of SpringCastle have been reclassified to conform to the Company s presentation and the details of these reclassifications are as follows:

- Other expense of $7.5 million and $1.7 million to General and administrative expenses for the year ended December 31, 2015 and the three months ended March 31, 2016, respectively.

M.

N. Reflects the recognition of the non-controlling interest in income of SpringCastle as a consolidated subsidiary.

Walter Transactions

O. The adjustment to Interest expense reflects the Interest expense for the year ended December 31, 2015 and the six months ended June 30, 2016 on the new indebtedness of $300 million comprising $241 million and $59 million on unencumbered MSRs and servicer advances to be entered into in contemplation of the Walter and WCO acquisitions.

P. New Residential s subsidiary, New Residential Mortgage LLC, is in the process of becoming fully eligible to own Non-Agency and Agency MSRs and is currently qualified to own Non-Agency MSRs in 49 U.S. states and is an approved Fannie Mae Servicer and FHA Lender. As a result, New Residential has included pro forma adjustments to present the income recognized on the Walter and WCO assets as Net servicing fee income.

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Adjustment reflects the total Net servicing fee income that would have been generated for the year ended December 31, 2015 and for the six months ended June 30, 2016, had the MSRs been acquired by the Company from Walter and WCO as of January 1, 2015 at their estimated fair market values. Net servicing fee income is comprised of the following components:

Net Servicing Fee Income	**Year ended 12/31/2015 (in Thousands)**	**Six months ended 6/30/2016 (in Thousands)**
Servicing & Ancillary Fees	**$ 167,871**	**$ 73,422**
Minus Sub-servicing Expense	**(40,730)**	**(19,135)**
Minus MSR amortization	**(68,164)**	**(27,984)**
Total	**$ 58,977**	**$ 26,303**

Q. Reflects the additional tax expense as a result of the Company s acquisition of MSRs from Walter and WCO, the base portion of which will be held in a taxable REIT subsidiary (TRS) and subject to tax expense.

Management & Incentive Fee

R. Represents additional management fees as a result of the Pro Forma Transactions pursuant to the management agreement, under which the Company pays 1.5% of its Gross Equity, as defined in the management agreement, assuming the underwriter does not exercise their option to purchase additional shares of our common stock.

Management Fee Adjustment

Management Fee Calculation	**For year ended December 31, 2015**	
2015 Share issuances, net of underwriter and other related fees	1,311,137	
2016 Share issuance, net of underwriter and other related fees	275,000	
Base pro forma management fee of 1.5% of share issuance	1.50	%
% Adjustment to Annualize management fee on 2015 Share issuances	0.3404	
Pro Forma Adjustment for 2015 Share issuance	6,695	
Pro Forma Adjustment for 2016 Share issuance	4,125	
Pro Forma Adjustment	**10,820**	

Management Fee Calculation	**For six**

	months ended June 30, 2016 (in Thousands)
Share issuance, net of underwriter and other related fees	275,000
Base pro forma management fee of 1.5% of share issuance	1.50 %
Pro Forma Adjustment	**$ 2,132**

Incentive Compensation Adjustment

Reflects an adjustment to the Incentive Compensation of $12.9 million and $5.2 million for the year ended December 31, 2015 and for the six months ended June 30, 2016, respectively, related to the pro forma adjustments to the statement of income and the impact of the share issuance by the Company on the incentive compensation threshold.

S. Pro Forma Earnings (Loss) Per Share Attributable to Common Stockholders

Pro forma basic and diluted earnings (loss) per common share attributable to common stockholders has been calculated based on the number of shares assumed to be outstanding, due to its continuing impact to the management fees and incentive compensation. The calculation assumes that such shares were outstanding for the full period presented. The following table sets forth the computation of unaudited pro forma basic and diluted earnings (loss) per share attributable to common stockholders (in thousands, except per share data):

	Year ended December 31, 2015		
	Net income (in Thousands)	**Shares**	**Per share amount**
Earnings per share, basic	$ 377,494	249,043,331	$ 1.52
Earnings per share, diluted	$ 377,494	249,257,768	$ 1.51

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	For the six months ended June 30, 2016		
	Net income (in Thousands)	Shares	Per share amount
Earnings per share, basic	$ 132,294	249,043,331	$ 0.53
Earnings per share, diluted	$ 132,294	249,257,768	$ 0.53

	As of December 31, 2015		
	Historical	Shares issued in the transactions	Pro Forma Total
Weighted-average shares outstanding, basic	200,739,809	48,303,522	249,043,331
Weighted-average shares outstanding, diluted[(1)]	202,739,809	46,350,163	249,257,768

	As of June 30, 2016		
	Historical	Shares issued in the transactions	Pro Forma Total
Weighted-average shares outstanding, basic	230,474,796	18,568,535	249,043,331
Weighted-average shares outstanding, diluted[(1)]	230,689,233	18,568,535	249,257,768

(1) In connection with the offering, we will issue to our Manager options relating to shares of our common stock, representing 10% of the number of shares being offered, pursuant to our Nonqualified Stock Option and Incentive Award Plan. However, this does not impact diluted shares outstanding since the assumed strike price and the assumed market value for purposes of computing the treasury stock method are both equal to the share issue price.

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25,000,000 Shares

New Residential Investment Corp.
Common Stock

PROSPECTUS SUPPLEMENT

Joint Book-Running Managers

Credit Suisse

J.P. Morgan

BofA Merrill Lynch

BTIG

B. Riley | FBR

UBS Investment Bank

January , 2018