

HEIDRICK & STRUGGLES INTERNATIONAL INC
 Form 4
 March 11, 2015

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 PEPPING KAREN K

2. Issuer Name and Ticker or Trading Symbol
 HEIDRICK & STRUGGLES INTERNATIONAL INC [HSII]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)
 C/O HEIDRICK & STRUGGLES INT'L INC., 233 S. WACKER DRIVE, SUITE 4200
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 03/09/2015

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 SVP, CAO and Controller

CHICAGO, IL 60606
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 ____ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D) Price			
Common Stock	03/09/2015	03/09/2015	A	2,290 A	2,290	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
2014 Restricted Stock Units ⁽²⁾	<u>(1)</u>	03/09/2015	03/09/2015	M	2,290	<u>(3)</u> <u>(3)</u>	Common Stock	<u>(2)</u>
2015 Restricted Stock Units ⁽²⁾	<u>(1)</u>	03/09/2015		A	6,239	<u>(3)</u> <u>(3)</u>	Common Stock	<u>(2)</u>

Reporting Owners

Reporting Owner Name / Address	Relationships
PEPPING KAREN K C/O HEIDRICK & STRUGGLES INT'L INC. 233 S. WACKER DRIVE, SUITE 4200 CHICAGO, IL 60606	Director 10% Owner Officer Other SVP, CAO and Controller

Signatures

/s/ Stephen W. Beard, 03/11/2015
 Attorney-In-Fact Date
 **Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The number of RSU's or PSU's awarded to the Reporting Person was determined by dividing the total dollar value of compensation granted to the Reporting Person by the closing price of HSII common stock on the date of grant in March of the respective year.
- (2) Granted under the Company's Global Share Plan. Each RSU represents a right to receive one share of the Issuer's Common Stock upon vesting.
- (3) The RSUs are service-based and will vest in three equal installments (specifically on the first, second and third anniversaries of the date of grant), generally subject to the Reporting Person's continued employment with the Company.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. y:Times New Roman" SIZE="1">**Date of Grant** Number of options granted Exercise price Intrinsic

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**value
per share**

February 2009

759,967 \$4.01

April - May 2009

18,500 7.75 - 8.06

July - September 2009

27,000 10.02 - 12.16

October 2009

11,000 14.57 - 16.93

December 2009

450,000 19.21

February 2010

7,500 15.00

March - April 2010

50,671 19.49 - 20.20

June - August 2010

145,655 24.95 - 32.67

October 2010

35,000 22.69

January 2011

26,000 18.80 - 21.64

March - April 2011

73,500 25.61 - 27.63

May 2011

51,650 22.92

July 2011

12,500 16.86

October 2011

Explanation of Responses:

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75,400 10.81 - 10.93

December 2011

143,000 10.19

At December 31, 2011, the exercise prices of outstanding options were as follows:

Exercise Price	Number of options outstanding	Average remaining contractual life (years)	Number of options exercisable
\$ 0.78 - \$4.94	581,343	5.95	257,541
7.75 - 8.45	270,739	5.68	261,489
10.02 - 14.00	370,692	9.57	139,442
14.57 - 18.80	78,104	8.31	54,729
19.21 - 22.92	575,250	8.74	29,175
24.95 - 32.67	216,980	8.61	37,555
	2,093,108	7.93	779,931

The weighted average fair value of the options vested in the years ended 2011, 2010 and 2009 was \$3.9 million, \$2.9 million and \$2.0 million, respectively.

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Table of Contents**Rubicon Technology, Inc.****Notes to Consolidated Financial Statements (Continued)**

The following table summarizes the activity of non-vested options as follows:

	Non-vested options	Weighted- Average Option Exercise price
Non-vested at December 31, 2008	581,131	\$ 9.18
Granted	1,266,467	9.71
Vested	(269,753)	7.25
Cancelled	(77,205)	4.32
Non-vested at December 31, 2009	1,500,640	10.22
Granted	238,826	27.54
Vested	(391,788)	7.29
Cancelled	(8,292)	16.70
Non-vested at December 31, 2010	1,339,386	14.12
Granted	382,050	16.02
Vested	(366,484)	10.72
Cancelled	(41,775)	20.39
Non-vested at December 31, 2011	1,313,177	\$ 13.58

The Company's aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock options and the fair value of the Company's common stock. Based on the fair market value of the common stock at December 31, 2011, there was no aggregate intrinsic value for options outstanding and exercisable. At December 31, 2010, the intrinsic value for the options outstanding was \$14.8 million and the intrinsic value for the options exercisable was \$5.5 million. The Company uses the Black-Scholes option pricing model to value stock options. The Company uses historical stock prices of companies which it considers as a peer group as the basis for its volatility assumptions. The assumed risk-free rates were based on U.S. Treasury rates in effect at the time of grant with a term consistent with the expected option lives. The expected term is based upon the vesting term of the Company's options, a review of a peer group of companies, and expected exercise behavior. The forfeiture rate is based on past history of forfeited options. The expense is being allocated using the straight-line method. For the years ended December 31, 2011, 2010 and 2009, the Company recorded \$2.3 million, \$2.1 million and \$823,000, respectively of stock option compensation expense. As of December 31, 2011, the Company has \$5.1 million of total unrecognized compensation cost related to nonvested awards granted under the Company's stock-based plans that it expects to recognize over a weighted-average period of 2.72 years.

The Company continues to account for options issued prior to January 1, 2006 under the intrinsic value method.

The weighted average fair value per share of options granted for the fiscal year ended December 31, 2011 was \$16.02 and the fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model using an expected term of 5.0 years, risk-free interest rate of .85% - 2.24%, expected volatility of 51% and no dividend yield. The Company used an expected forfeiture rate of 24.53% in 2011.

The weighted average fair value per share of options granted for the fiscal year ended December 31, 2010 was \$27.54 and the fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model using an expected term of 5.4 years, risk-free interest rate of 1.26% - 2.60%, expected volatility of 60% and no dividend yield. The Company used an expected forfeiture rate of 27.54% in 2010.

Table of Contents**Rubicon Technology, Inc.****Notes to Consolidated Financial Statements (Continued)**

The weighted average fair value per share of options granted for the fiscal year ended December 31, 2009 was \$9.71 and the fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model using an expected term of 5.2 years, risk-free interest rate of 0.37% 1.41%, expected volatility of 50% and no dividend yield. The Company used an expected forfeiture rate of 30% in 2009.

An analysis of restricted stock issued is as follows:

Non-vested restricted stock as of December 31, 2009	8,453
Vested	(6,691)
Non-vested restricted stock as of December 31, 2010	1,762
Granted	7,724
Vested	(7,555)
Non-vested restricted stock as of December 31, 2011	1,931

For the years ended December 31, 2011, 2010 and 2009, the Company recorded \$165,000, \$153,000 and \$114,000, respectively, of stock compensation expense related to restricted stock.

In 2009, the Board of Directors awarded stock options to purchase 300,000 shares of common stock to key executives at an exercise price of \$19.21, the closing price of the shares on the date of the grant. Vesting of the options is subject to achievement of specified annual revenue and net earnings targets by December 31, 2012. The Company is recording stock compensation expense related to these options based on the probability of achieving the targets. At December 31, 2011, the Company considered one of the milestones of these targets to be improbable, and therefore did not record any expense.

8. INCOME TAXES

Components of income before income taxes and the income tax provision are as follows:

Income (loss) before income taxes

	Year ended December 31,		
	2011	2010	2009
	(in thousands)		
U.S.	\$ 51,618	\$ 28,799	\$ (9,595)
Foreign	3,015	241	(35)
Total	\$ 54,633	\$ 29,040	\$ (9,630)

Table of Contents**Rubicon Technology, Inc.****Notes to Consolidated Financial Statements (Continued)**

Income taxes

	Year ended December 31,		
	2011	2010	2009
	(in thousands)		
<i>Current</i>			
U.S.	\$ 177	\$ (79)	\$
State	2,777		
Foreign	173	8	
Total current income tax expense (benefit)	3,127	(71)	
<i>Deferred</i>			
U.S.	13,223		
State	224		
Foreign			
Total deferred income tax expense	13,447		
Total income tax expense (benefit)	\$ 16,574	\$ (71)	\$

The reconciliation of income tax computed at the federal statutory rate to income before taxes is as follows:

	Year ended December 31,		
	2011	2010	2009
U.S. Federal statutory rate	35.0%	34.0%	(34.0)%
State taxes net of federal benefit	5.2	5.3	(4.8)
Permanent differences	(0.6)	0.3	0.1
Foreign rate differential and transactional tax	(1.4)	3.2	
Valuation allowance	(5.9)	(41.4)	39.5
Other	(2.0)	(1.6)	(0.8)
	30.3%	(0.2)%	%

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Table of Contents**Rubicon Technology, Inc.****Notes to Consolidated Financial Statements (Continued)**

Significant components of the Company's net deferred income taxes are as follows at December 31:

	2011	2010
	(in thousands)	
Deferred tax assets:		
Allowance for doubtful accounts	\$ 156	\$ 75
Inventory reserves	400	359
Accrued liabilities	260	113
Warrant interest expense	283	267
Charitable contributions	10	
Stock compensation expense	2,083	1,183
State net operating loss net of tax	984	
Net operating loss carryforward		9,366
Tax credits	206	104
Total deferred tax assets	4,382	11,467
Less valuation allowance		(3,244)
Net deferred tax assets	4,382	8,223
Deferred tax liability:		
Depreciation	(16,310)	(8,103)
Restricted stock compensation expense		(1)
Prepaid expenses	(115)	(119)
Net deferred tax liability	\$ (12,043)	\$

The Company's deferred income tax assets and liabilities were reported on the consolidated balance sheets as follows.

	2011	2010
	(in thousands)	
Current deferred income tax assets	\$ 3,078	\$
Long term deferred income tax liabilities	(15,121)	
Net deferred tax liability	\$ (12,043)	\$

A valuation allowance to reduce the deferred tax assets is reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. During the twelve months ended December 31, 2011, the Company concluded that based on the current level of sustainable profitability that generates taxable income, that it is more likely than not that the Company's deferred tax assets will be realizable. The Company on June 30, 2011, recognized a tax benefit of \$3.3 million to record current and long-term deferred tax assets and with the release of the valuation allowance began recording federal and certain state and non-U.S. income taxes attributable to the fiscal year's pre-tax income. At December 31, 2011, the Company had separate federal and Illinois net operating loss carryforwards of \$22.0 million and \$42.0 million, respectively which begin to expire in 2026 and 2019, respectively. The Illinois State Legislature has suspended the use of net operating loss carryforwards for taxable years ending after December 31, 2010 and before December 31, 2014.

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The Company has completed an analysis of the utilization of net operating losses subject to limits based upon certain ownership changes. The results of this analysis indicated an ownership change limiting the utilization of net operating losses and tax credits. However, the unused prior year limitations allowed the

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Table of Contents**Rubicon Technology, Inc.****Notes to Consolidated Financial Statements (Continued)**

Company to fully utilize the net operating losses (NOL) and tax credits in the current year. Additionally, the Company has not recorded a deferred tax asset NOL attributable to stock option exercises in the amount of \$22.0 million for federal purposes and \$26.0 million for state purposes because the Company cannot record these excess tax benefit stock option deductions until the benefit has been realized by actually reducing taxes payable.

The Company prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. The following is a reconciliation of the unrecognized tax benefits taken or expected to be taken in a tax return that have been recorded on the Company's financial statements for the years ended December 31, 2011.

	2011 (in thousands)
Balance at the beginning of the year	\$
Tax positions related to current year	159
Tax positions related to prior year	204
Balance at end of the year	\$ 363

For the year ended December 31, 2011 the Company accrued \$11,000 for potential penalties related to income taxes. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2010 and 2009.

The Company files income tax returns in the United States federal jurisdiction and in a state jurisdiction. During 2009, the Company began foreign operations in Malaysia and Japan and is subject to local income taxes in both jurisdictions. The Company is exempt from Malaysian income tax for a ten year period beginning in 2009. The impact of this tax holiday decreased foreign taxes for the years ended December 31, 2011 and 2010 by approximately \$535,000 and \$54,000, respectively. The benefit of the tax holiday on net income per share (diluted) was \$0.02 and \$0.00 for 2011 and 2010, respectively.

The Company's federal tax return for the periods ended December 31, 2008 and 2007 have been audited by the Internal Revenue Service (IRS) with no changes made to the Company's taxable losses for those years. The Company's federal tax return for the period ended December 31, 2010 is currently under audit by the IRS. The Company is not currently subject to any state tax examinations. Due to the existence of net operating loss carryforwards, all tax years except December 31, 2007 are open to examination by tax authorities.

U.S. income and foreign withholding taxes have not been provided on approximately \$3.2 million of cumulative undistributed earnings of foreign subsidiaries. We intend to reinvest these earnings for the foreseeable future. If these amounts were distributed to the U.S., in the form of dividends or otherwise, we would be subject to additional U.S. income taxes, which could be material. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because such liability, if any, is dependent on circumstances existing, if and when remittance occurs.

9. COMMITMENTS AND CONTINGENCIES**Operating Leases**

The Company leases buildings used for manufacturing and offices. The leases provide for payment of the Company's proportionate share of operating expenses and real estate taxes.

Table of Contents**Rubicon Technology, Inc.****Notes to Consolidated Financial Statements (Continued)**

Net rent expense under operating leases in 2011, 2010 and 2009 amounted to \$1.1 million, \$1.2 million and \$1.3 million respectively.

Future minimum payments under all leases are as follows:

Year ending December 31,	Operating leases (in thousands)
2012	\$ 1,144
2013	1,157
2014	926
2015	224
2016 and thereafter	

Purchase Commitments

The Company has entered into agreements to purchase equipment and components to construct furnaces. These agreements will result in the Company purchasing equipment or components for a total cost of approximately \$6.4 million with deliveries occurring through August 2012. The Company has also entered into agreements related to the development of our facilities for a total cost of approximately \$207,000.

Litigation

From time to time, the Company experiences routine litigation in the normal course of its business. The management of the Company does not believe any pending litigation will have a material adverse effect on the financial condition or results of operations of the Company.

10. BENEFIT PLAN

The Company sponsors a 401(k) savings plan (the Plan). Employees are eligible to participate in the Plan upon reaching 21 years of age. Employees make contributions to the Plan through payroll deferrals and employer matching contributions are discretionary. There were no employer matching contributions for the years ended December 31, 2011, 2010 and 2009.

11. SUBSEQUENT EVENT

The Company evaluated its December 31, 2011 financial statements for subsequent events and is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Table of Contents**Rubicon Technology, Inc.****Notes to Consolidated Financial Statements (Continued)****12. QUARTERLY FINANCIAL DATA (Unaudited)****Quarterly Financial Data (Unaudited)**

Summary quarterly results for the two years ended December 31, 2011 are as follows (in thousands, other than share and per share data):

2011	Three Months Ended				
	March 31	June 30	September 30	December 31	Full Year
Revenue	\$ 37,970	\$ 43,028	\$ 33,637	\$ 19,365	\$ 134,000
Gross profit	\$ 23,975	\$ 27,200	\$ 16,121	\$ 2,339	\$ 69,635
Income (loss) from operations	\$ 20,250	\$ 23,339	\$ 11,885	\$ (723)	\$ 54,751
Income (loss) before income taxes	\$ 20,331	\$ 23,403	\$ 11,775	\$ (876)	\$ 54,633
Net income	\$ 19,104	\$ 9,908	\$ 8,186	\$ 861	\$ 38,059
Basic income per common share	\$ 0.83	\$ 0.43	\$ 0.36	\$ 0.04	\$ 1.67
Diluted income per common share	\$ 0.80	\$ 0.41	\$ 0.35	\$ 0.04	\$ 1.61
Weighted average common shares outstanding used in computing net income per common share:					
Basic	22,993,614	23,031,039	22,822,286	22,561,883	22,852,205
Diluted	23,943,644	23,928,408	23,410,525	23,102,072	23,596,162

2010	Three Months Ended				
	March 31	June 30	September 30	December 31	Full Year
Revenue	\$ 11,516	\$ 15,787	\$ 20,522	\$ 29,537	\$ 77,362
Gross profit	\$ 4,153	\$ 7,225	\$ 11,099	\$ 18,680	\$ 41,157
Income from operations	\$ 1,543	\$ 3,944	\$ 8,140	\$ 15,067	\$ 28,694
Income before income taxes	\$ 1,615	\$ 3,974	\$ 8,170	\$ 15,281	\$ 29,040
Net income	\$ 1,575	\$ 3,888	\$ 8,296	\$ 15,352	\$ 29,111
Basic income per common share	\$ 0.08	\$ 0.19	\$ 0.36	\$ 0.67	\$ 1.34
Diluted income per common share	\$ 0.07	\$ 0.18	\$ 0.35	\$ 0.64	\$ 1.28
Weighted average common shares outstanding used in computing net income per common share:					
Basic	20,244,347	20,790,208	22,923,900	22,945,906	21,726,090
Diluted	21,437,861	21,912,520	23,977,278	23,835,924	22,790,896