

HALF ROBERT INTERNATIONAL INC /DE/
Form DEF 14A
March 25, 2008

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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 Pursuant to Section 240.14a-12

ROBERT HALF INTERNATIONAL INC.

(Name of Registrant as Specified In Its Charter)

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

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

ROBERT HALF INTERNATIONAL INC.

2884 Sand Hill Road

Menlo Park, California 94025

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held

Tuesday, May 6, 2008

9:00 A.M.

To the Stockholders:

The annual meeting of stockholders of ROBERT HALF INTERNATIONAL INC. (the Company) will be held at 9:00 a.m. on Tuesday, May 6, 2008 at The Westin Hotel San Francisco Airport, 1 Old Bayshore Highway, Millbrae, California, 94030. The meeting will be held for the following purposes:

1. To elect seven directors.
2. To ratify the appointment of PricewaterhouseCoopers LLP as auditors for 2008.
3. To approve the continuation of the Stock Incentive Plan.
4. To transact such other business as may properly come before the meeting or any adjournment of the meeting.

Only stockholders of record at the close of business on March 11, 2008 are entitled to notice of, and to vote at, the meeting and any adjournment of the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on May 6, 2008

Pursuant to new rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement and our 2007 Annual Report to Shareholders are available at <http://www.rhi.com/14aFilings> and <http://www.rhi.com/AnnualReport>, respectively.

BY ORDER OF THE BOARD OF DIRECTORS

STEVEN KAREL
Secretary

Menlo Park, California

March 26, 2008

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND RETURN THE ENCLOSED FORM AS PROMPTLY AS POSSIBLE IN THE ENCLOSED POST-PAID ENVELOPE. ALTERNATIVELY, YOU MAY, IF YOU WISH, VOTE VIA THE INTERNET OR VIA TOLL-FREE TELEPHONE CALL FROM A TOUCH-TONE TELEPHONE IN THE U.S. BY FOLLOWING THE DIRECTIONS ON THE ENCLOSED FORM. IF YOU ATTEND THE MEETING AND SO DESIRE, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.

THANK YOU FOR ACTING PROMPTLY.

ROBERT HALF INTERNATIONAL INC.

PROXY STATEMENT

INTRODUCTION

The enclosed proxy is solicited on behalf of the present Board of Directors (sometimes referred to as the Board) of Robert Half International Inc., a Delaware corporation (the Company), the principal executive offices of which are located at 2884 Sand Hill Road, Menlo Park, California 94025. The approximate date on which this proxy statement and the enclosed proxy are being mailed to the Company's stockholders is March 26, 2008. The proxy is solicited for use at the annual meeting of stockholders (the Meeting) to be held at 9:00 a.m. on Tuesday, May 6, 2008, at The Westin Hotel San Francisco Airport, 1 Old Bayshore Highway, Millbrae, California, 94030. Only stockholders of record on March 11, 2008 will be entitled to notice of, and to vote at, the Meeting and any adjournment of the Meeting. Each share is entitled to one vote. At the close of business on March 11, 2008 the Company had outstanding and entitled to vote 159,843,513 shares of its common stock, \$.001 par value (Common Stock).

A stockholder giving a proxy in the form accompanying this proxy statement has the power to revoke the proxy prior to its exercise. A proxy can be revoked by an instrument of revocation delivered prior to the Meeting to the Secretary of the Company, by a duly executed proxy bearing a date later than the date of the proxy being revoked, or at the Meeting if the stockholder is present and elects to vote in person. Solicitation of proxies may be made by directors, officers or employees of the Company by telephone or personal interview as well as by mail. Costs of solicitation will be borne by the Company.

An automated system administered by the Company's transfer agent will tabulate votes cast at the Meeting. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting, and each is tabulated separately. Abstentions are counted in tabulations of the votes cast on proposals presented to stockholders or with respect to election of directors, whereas broker non-votes are not counted for purposes of determining whether a proposal has been approved or a nominee has been elected.

NOMINATION AND ELECTION OF DIRECTORS

The By-Laws of the Company provide for a Board of Directors consisting of not fewer than six nor more than eleven directors. The size of the Board of Directors is presently set at seven and there are no vacancies. All of the nominees are presently directors of the Company. The present term of office of all directors will expire upon election of directors at the Meeting. The full Board of Directors will be elected at the Meeting to hold office until the next annual meeting and until their successors are elected.

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Proxies cannot be voted for more than seven persons. Directors are elected by a majority of the votes of the shares present in person or represented by proxy and entitled to vote at the Meeting. Proxies solicited by the Board will be voted FOR the election of the nominees named below unless stockholders specify in their proxies to the contrary. Although the Board does not expect any nominee to become unavailable to serve as a director for any reason, should that occur before the Meeting, proxies will be voted for the balance of those named and such substitute nominee as may be selected by the Board.

Directors

The following table lists the name of each nominee for election as director (each of whom is a current member of the Board of Directors), his age on the mailing date of this proxy statement and the period during which he has served as a director.

Name	Age	Director Since
Andrew S. Berwick, Jr.	74	1981
Frederick P. Furth	73	1983
Edward W. Gibbons	72	1988
Harold M. Messmer, Jr.	62	1982
Thomas J. Ryan	83	1987
J. Stephen Schaub	67	1989
M. Keith Waddell	50	1999

Mr. Berwick has been President of Berwick-Pacific Corporation, a real estate development company, for more than the past five years. He is Chairman Emeritus of California Healthcare System.

Mr. Furth has been senior partner of The Furth Firm LLP, a law firm, for more than the past five years. He is the Proprietor of Chalk Hill Estate Winery, LLC and Chalk Hill Estate Vineyards, LLC and Chairman of the Board of the Furth Foundation.

Mr. Gibbons is owner and president of Gibbons & Co., Inc., a private merchant banking firm.

Mr. Messmer has been Chairman of the Board since 1988 and Chief Executive Officer since 1987. From 1985 through 2004 he served as President. Mr. Messmer is a director of Health Care Property Investors, Inc.

Mr. Ryan has been Chairman of the Board of Directors and Chief Executive Officer of ISU International, a franchisor of independent insurance agents, since 1979.

Mr. Schaub has been President and owner of J.S. Schaub & Co., Inc., a firm engaged in investments and financial consulting, for more than the past five years.

Mr. Waddell has been Vice Chairman of the Board since 1999, President since 2004 and Chief Financial Officer since 1988. He served as Treasurer from 1987 until 2004.

Executive Officers

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The following table lists the name of each current executive officer of the Company, his age on the mailing date of this proxy statement, and his current positions and offices with the Company:

Name	Age	Office
Harold M. Messmer, Jr. M. Keith Waddell	62 50	Chairman of the Board and Chief Executive Officer Vice Chairman of the Board, President and Chief Financial Officer
Paul F. Gentzkow Robert W. Glass Michael C. Buckley	52 49 41	President and Chief Operating Officer-Staffing Services Executive Vice President, Corporate Development Executive Vice President, Chief Administrative Officer and Treasurer
Steven Karel	58	Senior Vice President, Secretary and General Counsel

Mr. Gentzkow has been President and Chief Operating Officer-Staffing Services since 2004. From 2000 until 2004, he served as Executive Vice President, Operations. For more than five years prior to his election as an executive officer, he served as Director of Field Operations.

Mr. Glass has been Executive Vice President, Corporate Development since 2004. From 1993 until 2004, he served as Senior Vice President, Corporate Development. From 1987 until 1993 he served as Vice President.

Mr. Buckley has been Treasurer since 2004 and Executive Vice President and Chief Administrative Officer since February 2007. He was Vice President from 2001 through February 2007 and served as Controller, Corporate Accounting from 1999 until 2004. From 1995 through 1999, he held various other positions with the Company.

Mr. Karel has been General Counsel of the Company since 1989 and Secretary since 1993. He has been Senior Vice President since February 2007 and from 1989 through then was Vice President.

The executive officers of the Company are also officers of the Company's wholly owned subsidiaries.

All of the executive officers serve at the pleasure of the Board of Directors. Mr. Messmer has an employment agreement with the Company to serve as Chairman and Chief Executive Officer. In addition, severance agreements have been entered into with certain executive officers. See the discussion under Employment Agreement and Potential Payments upon Termination or Change in Control below.

There are no family relationships between any of the directors or executive officers.

BENEFICIAL STOCK OWNERSHIP

The following table sets forth information as of February 29, 2008, concerning beneficial ownership of Common Stock by (i) the only persons known to the Company to be beneficial owners of 5% or more of the outstanding Common Stock, (ii) each director, (iii) each executive officer, and (iv) all executive officers and directors as a group. Included in share ownership are shares that may be acquired upon the exercise of options that are currently exercisable or become exercisable on or before April 30, 2008 (Exercisable Options). All persons have sole voting and investment power except as otherwise indicated.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Common Stock
Barclays Global Investors, N.A. 45 Fremont Street San Francisco, CA 94105	20,207,860(a)	12.6%
FMR Corp. 82 Devonshire Street Boston, MA 02109	16,432,029(b)	10.3%
Capital World Investors 333 South Hope Street Los Angeles, CA 90071	9,900,000(c)	6.2%
Capital Research Global Investors 333 South Hope Street Los Angeles, CA 90071	9,110,000(d)	5.7%
Andrew S. Berwick, Jr.	724,338(e)	0.5%
Frederick P. Furth	1,652,509(f)	1.0%
Edward W. Gibbons	767,545(g)	0.5%
Harold M. Messmer, Jr.	4,584,372(h)	2.8%
Thomas J. Ryan	283,236(i)	0.2%
J. Stephen Schaub	2,827,069(j)	1.8%
M. Keith Waddell	2,334,661(k)	1.5%
Paul F. Gentzkow	1,569,783(l)	1.0%
Robert W. Glass	673,874(m)	0.4%
Michael C. Buckley	225,899(n)	0.1%
Steven Karel	356,826(o)	0.2%
All executive officers and directors as a group (11 persons)	16,000,112	9.7%

- (a) Information is as of December 31, 2007, the latest date for which information is available to the Company. According to a Schedule 13G filed by Barclays Global Investors, N.A., the shares are held by Barclays Global Investors, N.A. and the following affiliated entities: Barclays Global Fund Advisors, Barclays Global Investors, Ltd., Barclays Global Investors Japan Trust and Banking Company Limited, Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited and Barclays Global Investors (Deutschland) AG, all of which hold such shares either in their capacities as banks or investment advisors. According to the Schedule 13G sole voting power is held with respect to 17,640,695 of such shares and sole dispositive power is held with respect to all of such shares.

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- (b) Information is as of December 31, 2007, the latest date for which information is available to the Company. According to a Schedule 13G filed by FMR LLC, which identified itself as a parent holding company, Edward C. Johnson 3d, Chairman of FMR LLC, and members of his family, collectively own 49% of the voting power of FMR LLC and may constitute a controlling group with respect to FMR LLC. The shares are held directly by the following entities controlled by FMR LLC: Fidelity Management & Research Company, Strategic Advisers, Inc. and Pyramis Global Advisors Trust Company, all of which own such shares in their capacities as investment advisers, investment companies or investment managers. According to the Schedule 13G, Edward C. Johnson 3d and FMR LLC each has sole dispositive power with respect to the 16,432,029 shares and sole voting power with respect to 112,909 of such shares. Neither Edward C. Johnson nor FMR LLC has the sole power to vote or direct the voting of shares held by the Fidelity Funds, which power resides with the board of trustees of the Fidelity Funds.
- (c) Information is as of December 31, 2007, the latest date for which information is available to the Company. According to a Schedule 13G filed by Capital World Investors, which identified itself as an investment advisor and as one of the two investment divisions of Capital

Research and Management Company in the Schedule 13G, sole dispositive power is held with respect to all of such shares and sole voting power is held with respect to 2,400,000 of such shares. Such shares include a portion of the 8,310,000 shares beneficially owned by The Growth Fund of America, Inc. as indicated in its Schedule 13G filing, with the remaining balance of the 8,310,000 shares being reflected in the beneficial ownership of Capital Research Global Investors. The Growth Fund of America, Inc., which identified itself as an investment company that is advised by Capital Research and Management Company, retains sole voting power, but no dispositive power, with respect to its shares.

- (d) Information is as of December 31, 2007, the latest date for which information is available to the Company. According to a Schedule 13G filed by Capital Research Global Investors, which identified itself as an investment advisor and as one of the two investment divisions of Capital Research and Management Company in the Schedule 13G, sole dispositive power is held with respect to all of such shares and sole voting power is held with respect to 7,500,000 of such shares. Such shares include a portion of the 8,310,000 shares beneficially owned by The Growth Fund of America, Inc. as indicated in its Schedule 13G filing, with the remaining balance of the 8,310,000 shares being reflected in the beneficial ownership of Capital World Investors. The Growth Fund of America, Inc., which identified itself as an investment company that is advised by Capital Research and Management Company, retains sole voting power, but no dispositive power, with respect to its shares.
- (e) Includes 159,000 shares that may be acquired upon the exercise of Exercisable Options, 66,000 shares which are pledged and as to which Mr. Berwick has voting power but not dispositive power and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Berwick has sole voting power but as to which disposition is restricted pursuant to the terms of such plans.
- (f) Includes 1,484,734 shares which are pledged and as to which Mr. Furth has voting power but not dispositive power, 1,600 shares owned by the Furth Family Foundation, a charitable foundation of which Mr. Furth is a director, as to which shares Mr. Furth has shared voting and dispositive powers, 159,000 shares that may be acquired upon the exercise of Exercisable Options and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Furth has sole voting power but as to which disposition is restricted pursuant to the terms of such plans.
- (g) Includes 600,445 shares which are pledged and as to which Mr. Gibbons has voting power but not dispositive power and 159,000 shares that may be acquired upon the exercise of Exercisable Options and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Gibbons has sole voting power but as to which disposition is restricted pursuant to the terms of such plans.
- (h) Includes 2,405,011 shares that may be acquired upon the exercise of Exercisable Options, 615,146 shares acquired pursuant to Company benefit plans, as to which shares Mr. Messmer has sole voting power but as to which disposition is restricted pursuant to the terms of such plans, an aggregate of 900,000 shares held in twenty trusts as to which Mr. Messmer has voting and dispositive power and 656,607 shares as to which Mr. Messmer shares voting and dispositive power with his wife.
- (i) Includes 159,000 shares that may be acquired upon the exercise of Exercisable Options and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Ryan has sole voting power but as to which disposition is restricted pursuant to the terms of such plans. Also includes 15,500 shares held by the Ryan Family Foundation, as to which shares Mr. Ryan shares voting and dispositive power but in which he has no pecuniary interest.
- (j) Includes 159,000 shares that may be acquired upon the exercise of Exercisable Options, 40,000 shares as to which Mr. Schaub shares voting and dispositive power with his wife, 100,000 shares held by the Sunrise Investment Partners II, LP, of which Mr. Schaub is general partner and a limited partner, 38,000 shares held by The Schaub Foundation, as to which shares Mr. Schaub shares voting and dispositive power but in which he has no pecuniary interest and 1,704 shares owned by Mr. Schaub's wife and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Schaub has sole voting power but as to which disposition is restricted pursuant to the terms of such plans.
- (k) Includes 730,428 shares that may be acquired upon the exercise of Exercisable Options, 409,173 shares acquired pursuant to Company benefit plans, as to which shares Mr. Waddell has sole voting power but as to which disposition is restricted pursuant to the terms of such plans and 1,195,060 shares as to which Mr. Waddell shares voting and dispositive power with his wife.
- (l) Includes 656,500 shares that may be acquired upon the exercise of Exercisable Options, 294,276 shares that were acquired pursuant to company benefit plans, as to which shares Mr. Gentzkow has sole voting power but as to which disposition is restricted pursuant to the terms of such plans, and 619,007 shares as to which Mr. Gentzkow shares voting and dispositive power with his wife.
- (m) Includes 338,450 shares that may be acquired upon the exercise of Exercisable Options, 90,809 shares acquired pursuant to Company benefit plans, as to which shares Mr. Glass has sole voting power but as to which disposition is restricted pursuant to the terms of such plans, 239,635 shares as to which Mr. Glass shares voting and dispositive power with his wife and 1,500 shares held by Mr. Glass's children.

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- (n) Includes 127,545 shares that may be acquired upon the exercise of Exercisable Options, 67,308 shares acquired pursuant to Company benefit plans, as to which shares Mr. Buckley has sole voting power but as to which shares disposition is restricted pursuant to the terms of such plans and 31,046 shares as to which Mr. Buckley shares voting and dispositive power with his wife.

- (o) Includes 45,929 shares that may be acquired upon the exercise of Exercisable Options, 84,924 shares acquired pursuant to Company benefit plans, as to which shares Mr. Karel has sole voting power but as to which disposition is restricted pursuant to the terms of such plans and 225,973 shares as to which Mr. Karel shares voting and dispositive power with his wife.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee believes that setting compensation at levels designed to attract and retain key individuals is critical to the success of a personal services business in which there are few tangible assets and in which people represent the true assets of the Company. The Committee is also mindful of the fact that the Company's industry is fractured with a myriad of private firms owned by entrepreneurial individuals or financed by private equity firms representing the Company's most effective competition in many markets. Successful competitors generate large financial rewards to the owners as the Company knows from its acquisitions of such firms over the years. It is imperative that the Company's compensation program provide significant cash and equity incentives to its key managers so as to compete with both public and private companies for this talent and the Committee believes the Company's compensation program achieves this result.

The Committee believes that the Company has an outstanding management team which has produced excellent returns since the inception of the Company's current business in 1986. The Company's management has been stable for two decades: five of the executive officers (Messrs. Messmer, Waddell, Gentzkow, Glass & Karel), have been with the Company since the 1980s. Mr. Messmer negotiated the purchase of Robert Half Incorporated, the predecessor to the Company, in 1986 and has been responsible for recruiting the management team with which he has directed the growth of the Company ever since that time. This includes the formation of Protiviti, which in fewer than five years has grown from revenues of \$18 million in its first full quarter of operation to more than \$550 million of annual revenues in 2007. The annual revenues of Robert Half Incorporated at the time of its purchase in 1986 were approximately \$7 million. In fiscal 2007, the Company's revenues were approximately \$4.6 billion.

In the opinion of the Compensation Committee, the Company is fortunate to have an outstanding management team that possesses not only considerable management talent, but also great entrepreneurial vision as demonstrated by a series of highly successful new divisions added to the Company's business since 1991, including the aforementioned Protiviti subsidiary. The Committee's view is that, as a personal services business, it is in the Company's long term best interest to be known as an organization offering the opportunity to achieve superior remuneration in the industry. The Company believes the vast majority of such remuneration should be contingent on achieving outstanding results and, indeed, makes bonuses subject to achievement of goals the Committee sets and, further, makes annual grants of equity incentives subject to partial or total forfeiture subject to achievement of goals set by the Committee. The Compensation Committee's policy to provide the opportunity for top level compensation and incentives for extraordinary results has been essentially unchanged for many years, and it is believed that the success of this policy is reflected by the superior results that management has achieved for the Company. Indeed, 2007 was one of the most successful years in the Company's history, as indicated by the following:

1. Revenues for 2007 were a record \$4.6 billion, an increase of 16% over 2006.
2. Earnings per share for 2007 were a record \$1.81, as compared with \$1.65 for 2006.
3. Over the past five years, revenues grew at a compound annual growth rate of 20% and return on equity averaged 22% per year, reaching 29% in 2007. Nearly all of this growth was organic.
4. The Company continued to generate strong cash flow from operations and ended the year with \$310 million in cash and cash equivalents.
5. Over the last five years, cash flow from operations was \$1.4 billion which funded \$1.2 billion of stock repurchases and \$200 million of dividends.

Each component of compensation is determined by the Compensation Committee. It should be noted that the Company's five outside directors (including the three members of the Compensation Committee) have also been with the Company since the 1980s. The Compensation Committee determines what changes, if any, should be made to continuing arrangements, such as base salaries and fringe benefits. When

determining compensation for the coming year, the Compensation Committee reviews (a) the Company's results for the prior year, (b) the issues that will confront the Company in the coming year and (c) such other information it deems appropriate.

Based on such long term experience and the historical success of the Compensation Committee's philosophy, the Compensation Committee has not recently retained a compensation consultant nor does it benchmark against a specific peer group, however, it does, from time to time, consider executive compensation at other companies. After such review, it makes its ultimate determinations based upon its evaluation of such information and its long term experience with the Company. While the Compensation Committee receives input from the Chief Executive Officer and Chief Financial Officer and discusses compensation with them, the ultimate decision regarding compensation is solely at the discretion of the Committee. While the Compensation Committee is responsible for executive officers' compensation, the philosophy of providing the opportunity for superior remuneration for superior long term performance is applied to all of the Company's professionals. The Company believes its long term success is due to its ability to attract top talent capable of superior performance and that the Company's compensation practices are an important element in the Company's continuing ability to attract top talent.

As part of its effort to emphasize performance based compensation, the Compensation Committee has set base salaries at levels it considers modest and which, in the case of Messrs. Messmer and Waddell, have been at their current levels since 1998. The Committee instead heavily weights remuneration toward performance-based compensation. An examination of the Summary Compensation Table will show that the vast majority of each executive's compensation consists of restricted share awards under the Stock Incentive Plan and cash payments earned under the Annual Performance Bonus Plan. (With respect to Messrs. Messmer and Waddell, less than 4% of compensation comes from base salary.) The discussion of these plans below, under the Grants of Plan-Based Awards table, shows that actual amounts paid are highly-contingent upon the achievement of positive results. Earnings per share has been chosen as the measurement factor with respect to both of these plans because the Compensation Committee believes it is directly linked to stockholder value.

As described below in the descriptions of the Stock Incentive Plan and the Annual Performance Bonus Plan that appear under the Grants of Plan-Based Awards table, each award under these plans is subject to reduction or elimination depending upon final earnings per share, and only the Annual Performance Bonus Plan permits the final award to be in excess of the target award (pursuant to a set formula in the event actual earnings per share exceed target earnings per share and subject to a cap). Such reductions have occurred in the past. When target earnings were not achieved in 2001 and 2002, a portion of the restricted stock awards under the predecessor of the Stock Incentive Plan (which had a similar performance condition) were forfeited and cash awards under the Annual Performance Bonus Plan were decreased. In 2007, the target earnings per share for purposes of these plans was set by the Compensation Committee at \$1.96. The actual earnings per share for the year was \$1.81. Pursuant to the formulas in these two plans (which formulas are not identical), cash awards under the Annual Performance Bonus Plan were decreased but there was no forfeiture with respect to restricted stock awards under the Stock Incentive Plan.

The Compensation Committee has also exercised negative discretion. When the target earnings per share was set with respect to the Stock Incentive Plan and the Annual Performance Bonus Plan for 2005, it was done on the assumption that certain proposed accounting rules that would negatively impact earnings per share would be adopted and made applicable during the year. When the accounting rules were not adopted, the result was an increase in earnings per share that had nothing to do with performance. At year end, the Compensation Committee made appropriate adjustment in the awards so that management would not receive a windfall from this non-performance related factor.

The emphasis on restricted share awards further ties management performance to the interests of stockholders. While earnings per share is used to determine how much of each contingent grant is earned, and time vesting schedules promote retention, the fact that the award is in the form of stock means that the ultimate value to management is directly tied to stockholder interest. Both management and stockholders benefit from positive stock price performance.

Following its customary practice, the Compensation Committee (a) made restricted stock grants to executive officers under the Stock Incentive Plan at its October 2007 meeting, (b) set target bonuses under the Annual Performance Bonus Plan at its February 2008 meeting and (c) adopted the same target earnings per share for both

plans for 2008 at its February 2008 meeting. As is its customary practice, in setting the target earnings per share, the Compensation Committee considered the Company's annual strategic plan, consensus Wall Street estimates and other items. The Committee adopts targets that it believes are realistically possible to achieve but not easily achieved. This view is borne out by the fact that, with respect to the last ten years, the annual target earnings per share set for compensation purposes was achieved five times and was not achieved five times.

The Company has not granted options to executive officers since October 2004. The Compensation Committee currently has no plans to make option grants in the future, but reserves the right to do so.

The Compensation Committee believes that awards under the Stock Incentive Plan and the Annual Performance Bonus Plan, considered in the context of each individual's total compensation package and the conditions applicable to such awards, are at levels necessary to keep the current management team together so that they can continue to provide superior results to stockholders.

As indicated by the tables appearing below, in addition to the foregoing compensation, each executive also participates in non-tax-qualified deferred compensation arrangements. The Compensation Committee considers deferred compensation arrangements to be appropriate for a corporation of similar size to the Company, and, in light of the moderate salaries, long service and historical results of the management team, believes that the amounts have been set at reasonable levels, particularly in light of the fact that the Company does not have tax-qualified retirement arrangements for these executives. The Committee does not believe it is appropriate to offset these benefits by performance based compensation because these arrangements serve different purposes and both are at levels the Committee believes to be reasonable. A detailed description of how the deferred compensation arrangements operate is set forth below in the two paragraphs under the 2007 Nonqualified Deferred Compensation table.

The Stock Incentive Plan and Annual Performance Bonus Plan have been drafted to comply with Section 162(m) of the Internal Revenue Code. Compensation in compliance with such Section is fully deductible for income tax purposes. The other components of compensation (base salary, retirement allocations and selected fringe benefits) are subject to the limitations of Section 162(m), which provides that any amounts above \$1,000,000 paid in one year to certain executive officers is not tax deductible. In the past, such items have not exceeded \$1,000,000 in one year for any individual, so there has been no limitation of tax deductibility.

In determining executive compensation, the Compensation Committee considers, among other factors, the possible tax consequences to the Company and to the executives. However, tax consequences, including but not limited to tax deductibility by the Company, are subject to many factors (such as changes in the tax laws and regulations or interpretations thereof and the timing and nature of various decisions by executives regarding options and other rights) that are beyond the control of either the Compensation Committee or the Company. In addition, the Compensation Committee believes that it is important for it to retain maximum flexibility in designing compensation programs. For all of the foregoing reasons, the Compensation Committee, while considering tax deductibility as one of its factors in determining compensation, will not necessarily limit compensation to those levels or types of compensation that will be deductible. The Compensation Committee will, of course, consider alternative forms of compensation, consistent with its compensation goals, that preserve deductibility.

Various agreements, as described elsewhere in this Proxy Statement, provide for severance benefits in the event of a termination of employment before or after a change in control. (See the discussion below in connection with the Nonqualified Deferred Compensation table and the discussion below under the heading Employment Agreement and Potential Payments upon Termination or Change in Control.) As indicated by such text, the triggering events and benefits vary among each such arrangement, plan or agreement. Such triggering events and benefits were selected by the Compensation Committee in the light of competitive conditions and customary practices at the time of their implementation and the Committee believes that they continue to be reasonable.

On May 8, 2003, the Board of Directors adopted a policy regarding minimum required ownership of shares by Executive Officers. In accordance with the policy, each person who was an Executive Officer on the date such policy was adopted is required to own such number of shares of the Company as is equal to six times his base salary on such date divided by the closing trading price of the Company's Common Stock on such date. Each person who becomes an Executive Officer after May 8, 2003, is required to own, within five years of his election as such, such number of shares of the Company as is equal to six times his base salary at the time of election divided by the closing trading price of the Company's Common Stock on the date of election. The policy defines owned shares as being such shares, other than unexercised stock options, as are required to be reported as owned by an Executive Officer in the Company's Proxy Statement pursuant to Securities and Exchange Commission rules. Pursuant to such policy, Messrs. Messmer, Waddell, Gentzkow, Glass, Karel and Buckley are required to own 184,643, 93,201, 93,201, 72,099, 72,099 and 56,578 shares, respectively. The actual number of shares owned as of February 29, 2008, by each of the executive officers for purposes of such policy significantly exceeded the required amount.

COMPENSATION TABLES

2007 Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards(a)	Option Awards(b)	Non-Equity Incentive Plan Compensation(c)	Change in Pension Value and Nonqualified Deferred Compensation		All Other Compensation(e)	Total
							Earnings(d)	Compensation(e)		
Harold M. Messmer, Jr. Chairman and Chief Executive Officer	2007	\$ 525,000	\$ 0	\$ 7,848,461	\$ 0	\$ 6,339,334	\$ 173,696	\$ 519,782	\$ 15,406,273	
	2006	\$ 525,000	\$ 0	\$ 5,931,257	\$ 0	\$ 5,768,417	\$ 11,093	\$ 806,099	\$ 13,041,866	
M. Keith Waddell Vice Chairman, President and Chief Financial Officer	2007	\$ 265,000	\$ 0	\$ 4,864,853	\$ 624,325	\$ 3,173,586	\$ 14,027	\$ 670,611	\$ 9,612,402	
	2006	\$ 265,000	\$ 0	\$ 3,327,911	\$ 1,189,347	\$ 2,887,774	\$ 1,215	\$ 628,624	\$ 8,299,871	
Paul F. Gentzkow President and Chief Operating Officer-Staffing Services	2007	\$ 265,000	\$ 0	\$ 3,591,023	\$ 528,601	\$ 2,856,227	\$ 11,340	\$ 581,612	\$ 7,833,803	
	2006	\$ 265,000	\$ 0	\$ 2,529,854	\$ 1,005,109	\$ 2,598,996	\$ 965	\$ 530,950	\$ 6,930,874	
Robert W. Glass Executive Vice President, Corporate Development	2007	\$ 245,000	\$ 0	\$ 1,085,418	\$ 108,848	\$ 899,182	\$ 5,634	\$ 225,986	\$ 2,570,068	
	2006	\$ 205,000	\$ 0	\$ 747,151	\$ 204,152	\$ 818,202	\$ 502	\$ 212,665	\$ 2,187,672	
Michael C. Buckley Executive Vice President, Chief Administrative Officer and Treasurer	2007	\$ 265,000	\$ 0	\$ 804,471	\$ 132,040	\$ 711,095	\$ 1,165	\$ 184,138	\$ 2,097,909	
	2006	\$ 205,000	\$ 0	\$ 496,599	\$ 189,932	\$ 567,929	\$ 72	\$ 153,937	\$ 1,613,469	

- (a) The numbers in the table are the amounts expensed in that year in the Company's financial statements, and relate to restricted shares granted in that year and in prior years. For each individual, the total market value on the day of grant of restricted shares granted in 2007 was the same as the total market value on the day of grant of restricted shares granted in 2006. The higher amounts indicated in the table for 2007 are due primarily to the accounting effects of SFAS 123(R), which was adopted in 2006. Reference is made to Notes A and K in Item 8 of the Company's Annual Reports on Form 10-K for the Fiscal Years Ended December 31, 2007 and 2006, for a discussion of how the grants were valued.
- (b) The amounts shown represent the amounts expensed in the Company's financial statements for options granted in 2003 and 2004. No options have been granted to executive officers since October 2004. Reference is made to Notes A and K in Items 8 of the Company's Annual Reports on Form 10-K for the Fiscal Years Ended December 31, 2007 and 2006, for a discussion of how the grants were valued.
- (c) Consists of cash payments made under the Annual Performance Bonus Plan, as described below the Grants of Plan-Based Awards Table.
- (d) Consists of above-market interest on nonqualified deferred compensation plans determined in accordance with applicable regulations. See the Nonqualified Deferred Compensation Table below for further information.
- (e) The amounts in this column consist of the following: (i) \$274,573, \$515,788, \$468,184, \$171,627 and \$146,414 allocated for the benefit of Messrs. Messmer, Waddell, Gentzkow, Glass and Buckley, respectively, pursuant to defined contribution plans, as described in the Nonqualified Deferred Compensation table, (ii) \$245,209, \$154,823, \$113,428, \$34,498 and \$25,193 paid to Messrs. Messmer, Waddell, Gentzkow, Glass and Buckley, respectively, as dividends on unvested restricted shares (unvested restricted shares receive the same dividends as ordinary outstanding shares), and (iii) \$19,861 and \$12,531 for Messrs. Glass and Buckley, respectively, with respect to their purchase of the company cars formerly used by them under the discontinued company car program.

2007 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Harold M. Messmer, Jr.	n/a	\$ 0	\$ 6,864,466	\$ 9,000,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M. Keith Waddell	n/a	\$ 0	\$ 3,436,476	\$ 6,872,952	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paul F. Gentzkow	n/a	\$ 0	\$ 3,092,828	\$ 6,185,656	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Robert W. Glass	n/a	\$ 0	\$ 973,668	\$ 1,947,336	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Michael C. Buckley	n/a	\$ 0	\$ 770,000	\$ 1,540,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Harold M. Messmer, Jr.	10/31/07	n/a	n/a	n/a	0	244,515	244,515	0	0	n/a	\$ 7,357,456
M. Keith Waddell	10/31/07	n/a	n/a	n/a	0	166,986	166,986	0	0	n/a	\$ 5,024,609
Paul F. Gentzkow	10/31/07	n/a	n/a	n/a	0	119,276	119,276	0	0	n/a	\$ 3,589,015
Robert W. Glass	10/31/07	n/a	n/a	n/a	0	36,975	36,975	0	0	n/a	\$ 1,112,578
Michael C. Buckley	10/31/07	n/a	n/a	n/a	0	27,433	27,433	0	0	n/a	\$ 825,459

Stock awards consist of restricted share grants made pursuant to the Stock Incentive Plan, which was approved by the stockholders in 2005. Each of these grants is subject to both a performance condition and a time vesting condition. The performance condition provides that all or portion of the award will be forfeited if actual diluted earnings per share for 2008 do not equal or exceed a specified target that has been established by the Compensation Committee. (The award may not be increased, even if actual diluted earnings per share exceed the target). Whether or not all or a portion of the award will be forfeited is determined by a mathematical formula specified in the plan that compares actual diluted earnings per share to the target diluted earnings per share. No discretion is involved in the application of this formula. The 2008 earnings per share target is confidential. In setting the target, the Compensation Committee considered the Company's annual strategic plan, consensus Wall Street estimates and other items. Similar factors were considered in establishing the targets for previous grants. The time vesting provides for the vesting of 50% of the grant on each of January 3, 2010, and January 3, 2012, subject to the performance condition. Notwithstanding the foregoing, each grant will vest upon the recipient's death, termination due to total and permanent disability, or the occurrence of a Change in Control (see Appendix A for a definition of this term). Such shares are entitled to receive any dividends that may be declared from time to time with respect to the Company's outstanding shares.

Non-equity awards consist of an annual cash bonus opportunity pursuant to the Annual Performance Bonus Plan, which was approved by stockholders in 2005. The target bonus amount is set by the Compensation Committee, which also adopts a target diluted earnings per share. Under the plan, each individual's actual bonus will vary from his target bonus in direct proportion to the variation between the actual diluted earnings per share and the target diluted earnings per share. However, no bonus can exceed the lesser of twice the target bonus or \$9,000,000, and no bonus at all is paid if actual diluted earnings per share are less than 50% of target. The Compensation Committee has the discretion to reduce any bonus that would otherwise exceed the target to an amount not less than the target, but has no discretion to increase any bonus above the amount that would be determined by the formula. The measurement period for the grants appearing in the table was the 2007 calendar year (which is also the Company's fiscal year), so the actual final bonuses pursuant to this plan have been determined and are reported in the Summary Compensation Table in the Non-Equity Incentive Plan Compensation column. For such year, the target earnings per share was \$1.96 and the actual earnings per share was \$1.81. The ratio of actual final bonuses for 2007 to the actual final bonuses for 2006 was the same as the ratio of actual earnings per share for 2007 to the actual earnings per share for 2006.

Outstanding Equity Awards at Fiscal Year-End 2007

Name	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	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(c)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(c)					
	Exercisable	Unexercisable	Unexercised Options											
Harold M. Messmer, Jr.	85,250	0	0	\$ 14.2813	01/01/10(a)	346,893(d)	\$ 9,379,987	449,515(e)	\$ 12,154,886					
	852,508	0	0	\$ 14.2813	01/02/10(a)									
	571,410	0	0	\$ 22.5625	01/23/11(a)									
	571,410	0	0	\$ 16.9500	10/30/12(a)									
	249,433	0	0	\$ 22.8500	10/22/13(a)									
	75,000	25,000	0	\$ 26.5600	10/28/14(b)									
M. Keith Waddell	323,476	0	0	\$ 20.9375	01/05/09(a)	205,310(f)	\$ 5,551,582	306,986(g)	\$ 8,300,901					
	391,300	0	0	\$ 14.2813	01/02/10(a)									
	262,171	0	0	\$ 22.5625	01/23/11(a)									
	262,171	0	0	\$ 16.9500	10/30/12(a)									
	131,086	0	0	\$ 22.8500	10/22/13(a)									
	75,000	25,000	0	\$ 26.5600	10/28/14(b)									
Paul F. Gentzkow	110,000	0	0	\$ 12.3438	7/20/09(a)	153,750(h)	\$ 4,157,400	219,276(i)	\$ 5,929,223					
	33,000	0	0	\$ 14.2813	12/31/09(a)									
	330,000	0	0	\$ 14.2813	12/31/09(a)									
	221,100	0	0	\$ 22.5625	01/23/11(a)									
	40,000	0	0	\$ 23.6500	02/23/11(a)									
	221,100	0	0	\$ 16.9500	10/30/12(a)									
	110,500	0	0	\$ 22.8500	10/22/13(a)									
	63,750	21,250	0	\$ 26.5600	10/28/14(b)									
Robert W. Glass	10,000	0	0	\$ 26.3750	05/06/08(a)	46,001(j)	\$ 1,243,867	67,975(k)	\$ 1,838,044					
	66,000	0	0	\$ 19.3125	12/23/08(a)									
	3,200	0	0	\$ 22.2500	01/01/09(a)									
	22,000	0	0	\$ 12.3438	07/20/09(a)									
	37,400	0	0	\$ 10.4063	10/18/09(a)									
	9,800	0	0	\$ 14.2813	01/01/10(a)									
	66,000	0	0	\$ 14.2813	01/02/10(a)									
	44,220	0	0	\$ 22.5625	01/23/11(a)									
	44,220	0	0	\$ 16.9500	10/30/12(a)									
	22,110	0	0	\$ 22.8500	10/22/13(a)									
	13,500	4,500	0	\$ 26.5600	10/28/14(b)									
	Michael C. Buckley	2,000	0	0	\$ 19.3125					12/23/08(a)	33,125(l)	\$ 895,700	50,433(m)	\$ 1,363,708
		1,300	0	0	\$ 22.2500					12/31/08(a)				
6,000		0	0	\$ 11.9375	04/30/09(a)									
4,000		0	0	\$ 12.3438	07/20/09(a)									
2,000		0	0	\$ 10.4063	10/18/09(a)									
4,000		0	0	\$ 12.6875	01/18/10(a)									
20,000		0	0	\$ 22.5625	01/23/11(a)									
5,000		0	0	\$ 20.5100	04/03/11(a)									
20,000		0	0	\$ 21.1700	11/01/11(a)									
600		0	0	\$ 19.9500	07/31/12(a)									
25,000		0	0	\$ 16.1100	12/31/12(a)									
1,545		0	0	\$ 15.1600	01/31/13(a)									
600		0	0	\$ 21.7100	07/31/13(a)									
22,000		0	0	\$ 28.0000	07/28/14(a)									
13,500		4,500	0	\$ 26.5600	10/28/14(b)									

(a) Each of such options is currently fully vested.

- (b) Such option vests as to 25% of the shares covered thereby on each of October 28, 2005, October 28, 2006, October 28, 2007 and October 28, 2008.
- (c) The market value of unvested stock awards was calculated by valuing each share at \$27.04, which was the closing price of the Company's Common Stock on the New York Stock Exchange on the last trading day of 2007.
- (d) Of such shares, 181,262 vested on January 3, 2008, 115,631 vest on January 3, 2009, and 50,000 vest on January 3, 2010.
- (e) Of such shares, 102,500 vest on January 3, 2009, 122,257 vest on January 3, 2010, 102,500 vest on January 3, 2011, and 122,258 vest on January 3, 2012.
- (f) Of such shares, 103,123 vested on January 3, 2008, 68,437 vest on January 3, 2009, and 33,750 vest on January 3, 2010.
- (g) Of such shares, 70,000 vest on January 3, 2009, 83,493 vest on January 3, 2010, 70,000 vest on January 3, 2011, and 83,493 vest on January 3, 2012.
- (h) Of such shares, 78,750 vested on January 3, 2008, 51,250 vest on January 3, 2009, and 23,750 vest on January 3, 2010.
- (i) Of such shares, 50,000 vest on January 3, 2009, 59,638 vest on January 3, 2010, 50,000 vest on January 3, 2011, and 59,638 vest on January 3, 2012.
- (j) Of such shares, 23,167 vested on January 3, 2008, 15,334 vest on January 3, 2009, and 7,500 vest on January 3, 2010.
- (k) Of such shares, 15,500 vest on January 3, 2009, 18,487 vest on January 3, 2010, 15,500 vest on January 3, 2011, and 18,488 vest on January 3, 2012.
- (l) Of such shares, 12,500 vested on January 3, 2008, 3,750 vested on February 15, 2008, 11,250 vest on January 3, 2009, and 5,625 vest on January 3, 2010.
- (m) Of such shares, 11,500 vest on January 3, 2009, 13,716 vest on January 3, 2010, 11,500 vest on January 3, 2011, and 13,717 vest on January 3, 2012.

Option Exercises and Stock Vested in 2007

Name	Number of Shares Acquired on Exercise(a)	Value Realized on Exercise(b)	Number of Shares Acquired on Vesting	Value Realized on Vesting
Harold M. Messmer, Jr.	665,462	\$ 11,322,881	244,741	\$ 9,584,319
M. Keith Waddell	323,476	\$ 4,861,424	132,259	\$ 5,193,604
Paul F. Gentzkow	341,498	\$ 5,087,841	101,850	\$ 3,994,763
Robert W. Glass	43,200	\$ 449,600	29,746	\$ 1,167,888
Michael C. Buckley	0	\$ 0	18,000	\$ 722,814

- (a) Each of such options was granted in 1997, 1998, or 1999 at 100% of the fair market value, was due to expire on the tenth anniversary of the grant date and was approaching its expiration.
- (b) Messrs. Messmer, Waddell and Gentzkow did not sell any of the acquired shares on the open market. Each of them surrendered enough shares to the Company to pay the exercise price and the taxes resulting from exercise (as permitted pursuant to the terms of the plan under which the options were granted) and retained the remainder of the shares.

2007 Nonqualified Deferred Compensation

Name	Executive Contributions in Last Fiscal Year	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year End
Harold M. Messmer, Jr.	\$ 0	\$ 274,573	\$ 3,321,206	\$ 0	\$ 56,661,573
M. Keith Waddell	\$ 0	\$ 515,788	\$ 223,696	\$ 0	\$ 4,430,835
Paul F. Gentzkow	\$ 0	\$ 468,184	\$ 180,837	\$ 0	\$ 3,633,136
Robert W. Glass	\$ 0	\$ 171,627	\$ 89,853	\$ 0	\$ 1,744,202
Michael C. Buckley	\$ 0	\$ 146,414	\$ 18,585	\$ 0	\$ 471,687

Registrant Contributions for Mr. Messmer are allocated pursuant to the Deferred Compensation Plan. Under the Deferred Compensation Plan, the amount allocated each year to Mr. Messmer is between 3% and 10% of the

sum of Mr. Messmer's base salary and cash bonus (pursuant to the Annual Performance Bonus Plan), depending upon how actual earnings per share for the year compare to the target set by the Board. Accrued amounts earn interest quarterly at a rate equal to the 10+ Year High Quality yield in the Merrill Lynch Bond Index. For 2007, the quarterly interest rates were 5.94%, 6.24%, 6.19% and 6.14%, respectively. The corresponding 120% long-term quarterly applicable federal rates were 5.90%, 5.78%, 6.00% and 5.56%, respectively. The Deferred Compensation Plan provides that all amounts become fully vested after seven years of service, so all amounts in the table for Mr. Messmer are fully vested. All vested amounts are paid following disability or termination of employment for any reason. As noted previously in the Company's proxy statement for its 2007 Annual Meeting of Stockholders, from 1985 through 2006, Mr. Messmer had a defined benefit retirement arrangement that was terminated and the value of which (\$48,981,459) was transferred to the Deferred Compensation Plan in 2006.

Registrant Contributions for Messrs. Waddell, Gentzkow, Glass and Buckley are allocated pursuant to the Senior Executive Retirement Plan, which was established effective December 31, 1995. Under the Senior Executive Retirement Plan, the amount allocated each year for an executive is 15% of the sum of his base salary and cash bonus (pursuant to the Annual Performance Bonus Plan). Accrued amounts earn interest at a rate equal to Moody's Corporate Bond Yield Average. For 2007, this interest rate was 6.06% and the corresponding 120% long-term annual applicable federal rate was 5.68%. All allocations are subject to a vesting schedule, which provides that no amount is vested until ten years of service. After ten years of service, the amount vested is 50% plus 4 1/6% for each year over age 50, with 100% vesting thus occurring at age 62. Vested accrued amounts are paid following termination of employment. Prior to January 1, 1996, Messrs. Waddell, Gentzkow and Glass participated in the Deferred Compensation Plan. Contributions made prior to such date continue to earn interest as provided by the Deferred Compensation Plan. Of the aggregate balances shown in the table, \$2,039,004, \$1,422,766, \$761,875 and \$235,844 were unvested as of December 31, 2007, for Messrs. Waddell, Gentzkow, Glass and Buckley, respectively. All vested amounts are paid following disability or termination of employment for any reason. Pursuant to the Senior Executive Retirement Plan and resolutions adopted by the Compensation Committee in 1995, in the event of a Change in Control (see Appendix A for a definition of this term), there shall be allocated to Mr. Waddell's account an amount equal to the product of (a) the number of whole years remaining until the Mr. Waddell attains age 62 (11 years as of December 31, 2007) and (b) the last annual allocation for Mr. Waddell made under the Senior Executive Retirement Plan. After such Change in Control allocation has been made, each subsequent annual allocation under the Senior Executive Retirement Plan for Mr. Waddell following the Change in Control and prior to his 62nd birthday shall be reduced by an amount equal to the last annual allocation made to Mr. Waddell prior to the Change in Control.

Employment Agreement and Potential Payments upon Termination or Change in Control

Harold M. Messmer, Jr., Chairman of the Board and Chief Executive Officer, has an employment agreement with the Company terminating December 31, 2011. (The Employment Agreement was first entered into in 1985 and has been amended at various times since then. The most recent amendment relating to compensation was effective January 1, 2000.) Under the current terms of the employment agreement, Mr. Messmer will receive a base annual salary of not less than \$525,000 and is entitled to receive certain benefits, including life insurance and tax planning. (Mr. Messmer waived these benefits for 2007.) In the event the employment of Mr. Messmer is terminated (a) involuntarily other than for Cause (see Appendix A for a definition of this term), (b) by reason of a constructive termination of Mr. Messmer's employment resulting from a material breach of the employment agreement by the Company, or (c) voluntarily within one year following a Change in Control of the Company (see Appendix A for a definition of this term), he is entitled to receive severance compensation. The amount of such severance compensation shall be, at Mr. Messmer's election, either (i) an annual payment, through the stated expiration date of his agreement, equal to the sum of his base salary, at the rate in effect on the date of termination, and an amount equal to his bonus for the calendar year prior to termination (including any bonus pursuant to the Annual Performance Bonus Plan), or (ii) the present value of such payments. If Mr. Messmer's employment is terminated by reason of death or disability, he or his estate will receive only 75% of his base salary through the termination date of the agreement and will not receive any amount in lieu of bonus. If Mr. Messmer's employment terminates other than for Cause, he and his wife will each continue thereafter to

participate in the Company's healthcare plan for its employees, at Company expense, until his or her death. For one year following termination, Mr. Messmer is prohibited from competing with the Company's personnel services business, employing any officer of the Company or soliciting any officer of the Company to leave the Company. Since 1990, the terms of the employment agreement have provided that it automatically renew on each December 31 for an additional year without further action by the Company or Mr. Messmer and without formal amendment.

Severance Agreements have been entered into with Messrs. Messmer, Waddell, Gentzkow and Glass. (The Severance Agreements with Messrs. Messmer, Waddell and Glass were first entered into in 1990 and were amended and restated effective January 1, 2000. Previous agreements with Mr. Gentzkow entered into in 1991 and 1995 were largely superseded by the Severance Agreement the Company entered into with him in 2000.) Each Severance Agreement provides that the employee will be paid 24 months base salary (36 months if the employee has served as a director) if his employment is terminated (a) without Cause (see Appendix A for a definition of this term), (b) voluntarily by the employee following a reduction by more than 5% of the employee's base salary per month or (c) voluntarily by the employee following a request by the Company that the employee relocate more than 50 miles away from the current location of the principal executive offices of the Company. The terminated employee will also receive a pro rata share of any bonus he would otherwise have received pursuant to any bonus plan if his employment had not been terminated, such amount to be paid when bonuses are generally paid pursuant to the plan. However, if the termination occurs within one year following a Change in Control of the Company (see Appendix A for a definition of this term), then in lieu of the foregoing bonus payment the employee will receive monthly payments equal to $\frac{1}{12}$ of the prior year's bonus for 24 months (36 months if the employee has served as a director). At the discretion of the Company, such salary and bonus payments may be paid in a lump sum rather than over time. Notwithstanding the foregoing, no individual shall receive salary and bonus payments under both his Severance Agreement and any other agreement. Instead, only the greater of such benefits provided by either agreement shall be paid. On the termination date, any unvested stock or options would become fully vested, as would any amounts accrued for the employee's benefit under the Senior Executive Retirement Plan. During the foregoing 24 or 36 month period, as applicable, the individual will continue to receive all employee benefits in effect on the termination date, including, but not limited to, medical and life insurance payments. In addition, if the employee has served as a director, the foregoing benefits will be provided in the event of any voluntary termination within one year following a Change in Control. The Agreements also provide that if the individual has served as a director, then any termination of his employment (other than a termination by the Company for Cause) after the conclusion of the year in which his 53rd birthday occurs will entitle him and his wife to each continue to participate in the Company's healthcare plan for its employees, at Company expense, until his or her death.

The Company has entered into Part-Time Employment Agreements with each of Messrs. Messmer, Waddell, Gentzkow and Glass. (The Part-Time Employment Agreements were entered into in 2001 and supersede Consulting Agreements originally entered into effective January 1, 1999.) Each Agreement provides that the employee will be retained as a part-time employee for a four year period following retirement. The individual will provide advice and counsel as requested during the part-time employment period and will be prohibited from competing with the Company's staffing services business or soliciting any employee to leave the Company during that period. In return, the individual will receive annual compensation during the part-time employment equal to 8% of the total cash base salary and bonus (including any bonus pursuant to the Annual Performance Bonus Plan) paid during the last complete calendar year prior to retirement, and stock option and restricted stock awards made prior to retirement will remain outstanding and continue to vest in accordance with their original vesting schedules. For purposes of the Agreements, retirement is defined to be any termination by the employee of his employment subsequent to the later of age 55 or 20 years of service. Mr. Messmer is eligible for retirement under this provision.

In 1996, the Company adopted an Excise Tax Restoration Agreement