

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

FORM 10-K

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

For the fiscal year ended December 31, 2008

OR

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

Commission file number 1-10427

ROBERT HALF INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

94-1648752

(I.R.S. Employer
Identification No.)

2884 Sand Hill Road, Menlo Park, California

(Address of principal executive offices)

94025

(Zip code)

Registrant's telephone number, including area code: **(650) 234-6000**

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

Title of each class	Name of each exchange on which registered
Common Stock, Par Value \$.001 per Share	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company. Yes No

As of June 30, 2008, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$3,506,138,450 based on the closing sale price on that date. This amount excludes the market value of 9,639,848 shares of Common Stock directly or indirectly held by registrant's directors and officers and their affiliates.

As of January 31, 2009, there were 151,358,681 outstanding shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be mailed to stockholders in connection with the registrant's annual meeting of stockholders, scheduled to be held in May 2009, are incorporated by reference in Part III of this report. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be part of this report.

PART I

Item 1. Business

Robert Half International Inc. (the “Company”) provides specialized staffing and risk consulting services through such divisions as *Accountemps*®, *Robert Half*® *Finance & Accounting*, *OfficeTeam*®, *Robert Half*® *Technology*, *Robert Half*® *Management Resources*, *Robert Half*® *Legal*, *The Creative Group*®, and *Protiviti*®. The Company, through its *Accountemps*, *Robert Half Finance & Accounting*, and *Robert Half Management Resources* divisions, is the world’s largest specialized provider of temporary, full-time, and project professionals in the fields of accounting and finance. *OfficeTeam* specializes in highly skilled temporary administrative support personnel. *Robert Half Technology* provides information technology professionals. *Robert Half Legal* provides temporary, project, and full-time staffing of attorneys and specialized support personnel within law firms and corporate legal departments. *The Creative Group* provides project staffing in the advertising, marketing, and web design fields. *Protiviti*, which began operations in 2002, is a global business consulting and internal audit firm. *Protiviti*, which primarily employs professionals specializing in risk, advisory and transactional services, is a wholly-owned subsidiary of the Company.

The Company’s business was originally founded in 1948. Prior to 1986, the Company was primarily a franchisor, under the names *Accountemps* and *Robert Half* (now called *Robert Half Finance & Accounting*), of offices providing temporary and full-time professionals in the fields of accounting and finance. Beginning in 1986, the Company and its current management embarked on a strategy of acquiring franchised locations. All of the franchises have been acquired. The Company believes that direct ownership of offices allows it to better monitor and protect the image of its tradenames, promotes a more consistent and higher level of quality and service throughout its network of offices and improves profitability by centralizing many of its administrative functions. Since 1986, the Company has significantly expanded operations at many of the acquired locations, opened many new locations and acquired other local or regional providers of specialized temporary service personnel. The Company has also expanded the scope of its services by launching the new product lines *OfficeTeam*, *Robert Half Technology*, *Robert Half Management Resources*, *Robert Half Legal* and *The Creative Group*.

In 2002, the Company hired more than 700 professionals who had been affiliated with the internal audit and business and technology risk consulting practice of Arthur Andersen LLP, including more than 50 individuals who had been partners of Andersen. These professionals formed the base of the Company’s *Protiviti* Inc. subsidiary. *Protiviti*® has enabled the Company to enter the market for business consulting and internal audit services, which market the Company believes offers synergies with its traditional lines of business.

Accountemps

The *Accountemps* temporary services division offers customers a reliable and economical means of dealing with uneven or peak work loads for accounting, tax and finance personnel caused by such predictable events as vacations, taking inventories, tax work, month-end activities and special projects and such unpredictable events as illness and emergencies. Businesses view the use of temporary employees as a means of controlling personnel costs and converting such costs from fixed to variable. The cost and inconvenience to clients of hiring and firing regular employees are eliminated by the use of *Accountemps* temporaries. The temporary workers are employees of *Accountemps* and are paid by *Accountemps*. The customer pays a fixed rate only for hours worked.

Accountemps clients may fill their regular employment needs by using an *Accountemps* employee on a trial basis and, if so desired, “converting” the temporary position to a regular position. The client typically pays a one-time fee for such conversions.

OfficeTeam

The Company’s *OfficeTeam* division, which commenced operations in 1991, places temporary and full-time office and administrative personnel, ranging from word processors to office managers. *OfficeTeam* operates in much the same fashion as the *Accountemps* and *Robert Half Finance & Accounting* divisions.

Robert Half Finance & Accounting

The Company's *Robert Half Finance & Accounting* division specializes in the placement of full-time accounting, financial, tax and banking personnel. Fees for successful placements are paid only by the employer and are generally a percentage of the new employee's annual compensation. No fee for placement services is charged to employment candidates.

Robert Half Technology

The Company's *Robert Half Technology* division, which commenced operations in 1994, specializes in providing information technology contract consultants and placing full-time employees in areas ranging from multiple platform systems integration to end-user support, including specialists in programming, networking, systems integration, database design and help desk support.

Robert Half Legal

Since 1992, the Company has been placing temporary and full-time employees in attorney, paralegal, legal administrative and legal secretarial positions through its *Robert Half Legal* division. The legal profession's requirements (the need for confidentiality, accuracy and reliability, a strong drive toward cost-effectiveness, and frequent peak workload periods) are similar to the demands of the clients of the *Accountemps* division.

Robert Half Management Resources

The Company's *Robert Half Management Resources* division, which commenced operations in 1997, specializes in providing senior level project professionals in the accounting and finance fields, including chief financial officers, controllers, and senior financial analysts, for such tasks as financial systems conversions, expansion into new markets, business process reengineering and post-merger financial consolidation.

The Creative Group

The Creative Group division commenced operations in 1999 and serves clients in the areas of advertising, marketing and web design and places project consultants in a variety of positions such as creative directors, graphics designers, web content developers, web designers, media buyers, and public relations specialists.

Protiviti

Protiviti is a global business consulting and internal audit firm composed of experts specializing in risk, advisory and transactional services. The firm helps clients solve problems in finance and transactions, operations, technology, litigation, governance, risk and compliance.

Marketing and Recruiting

The Company markets its staffing services to clients as well as employment candidates. Local marketing and recruiting are generally conducted by each office or related group of offices. Local advertising directed to clients and employment candidates consists of radio, yellow pages, websites and trade shows. Direct marketing through e-mail, regular mail and telephone solicitation also constitutes a significant portion of the Company's total advertising. National advertising conducted by the Company consists primarily of radio and of print advertisements in national newspapers, magazines and trade journals. Additionally, the Company has expanded its use of job boards in all aspects of sales and recruitment. Joint marketing arrangements have been entered into with major software manufacturers and typically provide for development of proprietary skills tests, cooperative advertising, joint mailings and similar promotional activities. The Company also actively seeks endorsements and affiliations with professional organizations in the business management, office administration and

professional secretarial fields. The Company also conducts public relations activities designed to enhance public recognition of the Company and its services. Local employees are encouraged to be active in civic organizations and industry trade groups.

Protiviti markets its business consulting and internal audit services to a variety of clients in a range of industries. Industry and competency teams conduct targeted marketing efforts, both locally and nationally, including print advertising and branded speaking events, with support from *Protiviti* management. National advertising conducted by *Protiviti* consists primarily of print advertisements in national newspapers, magazines and selected trade journals. *Protiviti* has initiated a national direct mail program to share information with clients on current corporate governance and risk management issues. It conducts public relations activities, such as press releases and newsletters, designed to enhance recognition for the *Protiviti* brand, establish its expertise in key issues surrounding its business and promote its services. *Protiviti* plans to expand both the services and value added content on the *Protiviti.com* website and increase traffic through targeted Internet advertising. Local employees are encouraged to be active in civic organizations and industry trade groups.

The Company and its subsidiaries own many trademarks, service marks and tradenames, including the *Robert Half*[®] *Finance & Accounting*, *Accountemps*[®], *OfficeTeam*[®], *Robert Half*[®] *Technology*, *Robert Half*[®] *Management Resources*, *Robert Half*[®] *Legal*, *The Creative Group*[®] and *Protiviti*[®] marks, which are registered in the United States and in a number of foreign countries.

Organization

Management of the Company's staffing operations is coordinated from its headquarters facilities in Menlo Park and Pleasanton, California. The Company's headquarters provides support and centralized services to its offices in the administrative, marketing, public relations, accounting, training and legal areas, particularly as it relates to the standardization of the operating procedures of its offices. As of December 31, 2008, the Company conducted its staffing services operations through more than 370 offices in 42 states, the District of Columbia and 20 foreign countries. Office managers are responsible for most activities of their offices, including sales, local advertising and marketing and recruitment.

The day-to-day operations of *Protiviti* are managed by a chief executive officer and a senior management team with operational and administrative support provided by individuals located in Pleasanton and Menlo Park, California. As of December 31, 2008, *Protiviti* had more than 60 offices in 23 states and 16 foreign countries.

Competition

The Company's staffing services face competition in attracting clients as well as skilled specialized employment candidates. The staffing business is highly competitive, with a number of firms offering services similar to those provided by the Company on a national, regional or local basis. In many areas the local companies are the strongest competitors. The most significant competitive factors in the staffing business are price and the reliability of service, both of which are often a function of the availability and quality of personnel. The Company believes it derives a competitive advantage from its long experience with and commitment to the specialized employment market, its national presence, and its various marketing activities.

Protiviti faces competition in its efforts to attract clients and win proposal presentations. The risk consulting and internal audit businesses are highly competitive. In addition, the changing regulatory environment is increasing opportunities for non-attestation audit and risk consulting services. The principal competitors of *Protiviti* remain the "big four" accounting firms. Significant competitive factors include reputation, technology, tools, project methodologies, price of services and depth of skills of personnel. *Protiviti* believes its competitive strengths lie in its unique ability to couple the deep skills and proven methodologies of its "big four" heritage with the customer focus and attention of a smaller organization.

Employees

The Company has approximately 13,300 full-time employees, including approximately 3,000 engaged directly in *Protiviti* operations. In addition, the Company placed approximately 222,000 temporary employees on assignments with clients during 2008. Employees placed by the Company on assignment with clients are the Company's employees for all purposes while they are working on assignments. The Company pays the related costs of employment, such as workers' compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. The Company provides access to voluntary health insurance coverage to interested temporary employees.

Other Information

The Company's current business constitutes three business segments. (See Note M of Notes to Consolidated Financial Statement in Item 8. Financial Statements and Supplementary Data for financial information about the Company's segments.)

The Company is not dependent upon a single customer or a limited number of customers. The Company's staffing services operations are generally more active in the first and fourth quarters of a calendar year. *Protiviti* has been in operation since May 2002. *Protiviti* is generally more active in the third and fourth quarters of a calendar year. Order backlog is not a material aspect of the Company's staffing services business. While backlog is of greater importance to *Protiviti*, the Company does not believe, based upon the length of time of the average *Protiviti* engagement, that backlog is a material aspect of the *Protiviti* business. No material portion of the Company's business is subject to government contracts.

Information about foreign operations is contained in Note M of Notes to Consolidated Financial Statements in Item 8. The Company does not have export sales.

Available Information

The Company's Internet address is www.rhi.com. The Company makes available, free of charge, through its website, its Annual Reports on Form 10-K, proxy statements for its annual meetings of stockholders, its Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments to those reports, as soon as is reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission. Also available on the Company's website are its Corporate Governance Guidelines, its Code of Business Conduct and Ethics, and the charters for its Audit Committee, Compensation Committee and Nominating and Governance Committee, each of which is available in print to any stockholder who makes a request to Robert Half International Inc., 2884 Sand Hill Road, Menlo Park, CA 94025, Attn: Corporate Secretary. The Company's Code of Business Conduct and Ethics is the Code of Ethics required by Item 406 of Securities and Exchange Commission Regulation S-K. The Company intends to satisfy any disclosure obligations under Item 5.05 of Form 8-K regarding any amendment or waiver relating to its Code of Business Conduct and Ethics by posting such information on its website.

Item 1A. Risk Factors

The Company's business prospects are subject to various risks and uncertainties that impact its business. The most important of these risks and uncertainties are as follows:

The global financial crisis may harm the Company's business and financial condition. Many financial and economic analysts are predicting that the world economy may be entering into a prolonged economic downturn characterized by high unemployment, limited availability of credit and decreased consumer and business spending. Given the nature of the Company's business, financial results could be significantly harmed should such a downturn occur. In the past, the Company's business has suffered during periods of high unemployment as demand for staffing services tends to significantly decrease during such periods. This impact on the Company's business could be further dramatized during the current downturn given the unprecedented impact it has had and may continue to have on the global credit markets. In addition, the impact of the credit

crisis could harm the Company's financial condition. At December 31, 2008, the Company had approximately \$355 million in cash and cash equivalents. The Company has historically invested these amounts in U.S. treasuries and government agencies, bank deposits, corporate debt, money market funds, commercial paper and municipal bonds meeting certain criteria. Certain of these investments are subject to general credit, liquidity, market and interest rate risks. These risks associated with the Company's investment portfolio may negatively impact the Company's financial condition.

Any reduction in global economic activity may harm the Company's business. The demand for the Company's services, in particular its staffing services, is highly dependent upon the state of the economy and upon the staffing needs of the Company's clients. Any variation in the economic condition or unemployment levels of the U.S. or of any of the foreign countries in which the Company does business, or in the economic condition of any region of any of the foregoing, or in any specific industry may severely reduce the demand for the Company's services and thereby significantly decrease the Company's revenues and profits.

The Company faces risks in operating internationally. The Company depends on operations in international markets for a significant portion of its business. These international operations are subject to a number of risks, including general political and economic conditions in those foreign countries, the burden of complying with various foreign laws and technical standards and unpredictable changes in foreign regulations, U.S. legal requirements governing U.S. companies operating in foreign countries, legal and cultural differences in the conduct of business, potential adverse tax consequences and difficulty in staffing and managing international operations. In addition, the Company's business may be affected by foreign currency exchange fluctuations. In particular, the Company is subject to risk in translating its results in foreign currencies into the U.S. dollar. If the value of the U.S. dollar declines relative to other currencies, the Company's reported income from these operations could decrease.

The Company may be unable to find sufficient candidates for its staffing business. The Company's staffing services business consists of the placement of individuals seeking employment. There can be no assurance that candidates for employment will continue to seek employment through the Company. Candidates generally seek temporary or regular positions through multiple sources, including the Company and its competitors. Any shortage of candidates could materially adversely affect the Company.

The Company operates in a highly competitive business and may be unable to retain clients or market share. The staffing services business is highly competitive and, because it is a service business, the barriers to entry are quite low. There are many competitors, some of which have greater resources than the Company, and new competitors are entering the market all the time. In addition, long-term contracts form a negligible portion of the Company's revenue. Therefore, there can be no assurance that the Company will be able to retain clients or market share in the future. Nor can there be any assurance that the Company will, in light of competitive pressures, be able to remain profitable or, if profitable, maintain its current profit margins.

The Company's business depends on a strong reputation and anything that harms its reputation will likely harm its results. As a provider of temporary and permanent staffing solutions as well as consultant services, the Company's reputation is dependent upon the performance of the employees it places with its clients and the services rendered by its consultants. If the Company's clients become dissatisfied with the performance of those employees or consultants or if any of those employees or consultants engage in conduct that is harmful to the Company's clients, the Company's ability to maintain or expand its client base may be harmed.

The Company may incur potential liability to employees and clients. The Company's temporary services business entails employing individuals on a temporary basis and placing such individuals in clients' workplaces. The Company's ability to control the workplace environment is limited. As the employer of record of its temporary employees, the Company incurs a risk of liability to its temporary employees for various workplace events, including claims of physical injury, discrimination, harassment or failure to protect confidential personal information. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that such claims in the future will not result in adverse publicity or have a material adverse effect

upon the Company. The Company also incurs a risk of liability to its clients resulting from allegations of errors, omissions or theft by its temporary employees, or allegations of misuse of client confidential information. The Company maintains insurance with respect to many of such claims. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that the Company will continue to be able to obtain insurance at a cost that does not have a material adverse effect upon the Company or that such claims (whether by reason of the Company not having insurance or by reason of such claims being outside the scope of the Company's insurance) will not have a material adverse effect upon the Company.

The Company is dependent on its management personnel and employees and a failure to attract and retain such personnel could harm its business. The Company is engaged in the services business. As such, its success or failure is highly dependent upon the performance of its management personnel and employees, rather than upon technology or upon tangible assets (of which the Company has few). There can be no assurance that the Company will be able to attract and retain the personnel that are essential to its success.

The Company's business is subject to extensive government regulation and a failure to comply with regulations could harm its business. The Company's business is subject to regulation or licensing in many states and in certain foreign countries. While the Company has had no material difficulty complying with regulations in the past, there can be no assurance that the Company will be able to continue to obtain all necessary licenses or approvals or that the cost of compliance will not prove to be material. Any inability of the Company to comply with government regulation or licensing requirements could materially adversely affect the Company. In addition, the Company's temporary services business entails employing individuals on a temporary basis and placing such individuals in clients' workplaces. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially adversely affect the Company.

The Company's computer and communications hardware and software systems are vulnerable to damage and interruption. The Company's ability to manage its operations successfully is critical to its success and largely depends upon the efficient and uninterrupted operation of its computer and communications hardware and software systems. The Company's primary computer systems and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events and errors in usage by the Company's employees.

Failure to maintain adequate financial and management processes and controls could lead to errors in the Company's financial reporting. Failure to maintain adequate financial and management processes and controls could lead to errors in the Company's financial reporting. If the Company's management is unable to certify the effectiveness of its internal controls or if its independent registered public accounting firm cannot render an opinion on the effectiveness of its internal control over financial reporting, or if material weaknesses in the Company's internal controls are identified, the Company could be subject to regulatory scrutiny and a loss of public confidence. In addition, if the Company does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report its financial performance on a timely basis, which could cause its stock price to fall.

The demand for the Company's services related to Sarbanes-Oxley or other regulatory compliance may decline. The operations of both the staffing services business and *Protiviti* include services related to Sarbanes-Oxley and other regulatory compliance. There can be no assurance that there will be ongoing demand for these services.

Long-term contracts do not comprise a significant portion of the Company's revenue. Because long-term contracts are not a significant part of the Company's staffing services business, future results cannot be reliably predicted by considering past trends or extrapolating past results.

The Company and certain subsidiaries are defendants in several class and representative action lawsuits alleging various wage and hour claims that could cause the Company to incur substantial liabilities. The Company and certain subsidiaries are defendants in several class and representative action lawsuits brought by or

on behalf of the Company's current and former employees alleging violations of federal and state law with respect to certain wage and hour matters. The Company and certain subsidiaries are currently defendants in four such lawsuits, all of which are pending in California. Three of such lawsuits allege, among other things, the misclassification of certain employees as exempt employees under federal and state law and other related wage and hour violations and seek an unspecified amount for unpaid overtime compensation, statutory penalties, and other damages, as well as attorneys' fees. The fourth lawsuit alleges, among other things, that temporary employees in California were improperly denied expense reimbursement and wages for time purportedly spent preparing for, traveling to, and attending interviews, and seeks compensation for such expenses and wages, penalties and injunctive relief, as well as attorneys' fees. It is not possible to predict the outcome of these lawsuits. However, these lawsuits may consume substantial amounts of the Company's financial and managerial resources and might result in adverse publicity, regardless of the ultimate outcome of the lawsuits. In addition, the Company and its subsidiaries may become subject to similar lawsuits in the same or other jurisdictions. An unfavorable outcome with respect to these lawsuits and any future lawsuits could, individually or in the aggregate, cause the Company to incur substantial liabilities that may have a material adverse effect upon the Company's business, financial condition or results of operations.

Protiviti may be unable to attract and retain key personnel. Protiviti is a services business, and is dependent upon its ability to attract and retain personnel. While Protiviti has retained its key personnel to date, there can be no assurance that it will continue to be able to do so.

Protiviti operates in a highly competitive business and faces competitors who are significantly larger and have more established reputations. Protiviti operates in a highly competitive business. As with the Company's staffing services business, the barriers to entry are quite low. There are many competitors, some of which have greater resources than Protiviti and many of which have been in operation far longer than Protiviti. In particular, Protiviti faces competition from the "big four" accounting firms, which have been in operation for a considerable period of time and have established reputations and client bases. Because the principal factors upon which competition is based are reputation, technology, tools, project methodologies, price of services and depth of skills of personnel, there can be no assurance that Protiviti will be successful in attracting and retaining clients.

Protiviti's operations could subject it to liability. The business of Protiviti consists of providing business consulting and internal audit services. Liability could be incurred or litigation could be instituted against the Company or Protiviti for claims related to these activities or to prior transactions or activities. There can be no assurance that such liability or litigation will not have a material adverse impact on Protiviti or the Company.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

The Company's headquarters operations are located in Menlo Park and Pleasanton, California. As of December 31, 2008, placement activities were conducted through more than 370 offices located in the United States, Canada, the United Kingdom, Belgium, Brazil, France, the Netherlands, Germany, the Czech Republic, Ireland, Italy, Luxembourg, Spain, Switzerland, Japan, China, Singapore, Australia, New Zealand, Austria and the United Arab Emirates. As of December 31, 2008, Protiviti had more than 60 offices in the United States, Canada, Mexico, Brazil, Australia, China, France, Germany, Italy, the Netherlands, Japan, Singapore, South Korea, India, the United Kingdom, Belgium and Spain. All of the offices are leased.

Item 3. Legal Proceedings

On September 10, 2004, Plaintiff Mark Laffitte, on behalf of himself and a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company

and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California have been misclassified under California law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt hourly employees. In addition, the Plaintiff seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. On September 18, 2006, the Court issued an order certifying a class with respect to claims for alleged unpaid overtime pay but denied certification with respect to claims relating to meal periods and rest time breaks. On August 15, 2008, the Court stayed the litigation pending the California Supreme Court's ruling in another case unrelated to the Company titled *Harris v. Superior Court*. The ruling in such case may have a material adverse bearing on the Company's position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On May 4, 2006, Plaintiff Don Tran, on behalf of himself and a putative class of salaried Consultants and Senior Consultants, and a sub-class of terminated salaried Consultants and Senior Consultants, filed a complaint in California Superior Court naming Protiviti Inc., a wholly owned subsidiary of the Company ("Protiviti"), as Defendant. The complaint alleges that salaried consultants based in California have been misclassified under California law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt, hourly employees. Plaintiff also seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. The complaint further seeks damages and penalties for the failure to provide meal and rest periods, and for the failure to reimburse business expenses, including, without limitation, parking and cellular telephone expenses. On February 28, 2008, the Court allowed Plaintiff to amend the complaint to name as class representatives two additional former Protiviti Consultants, who had worked for Protiviti's "Internal Audit" business line. Plaintiff Tran had worked for Protiviti's "Technology Risk" business line. On April 3, 2008, Plaintiffs agreed in open court to dismiss their claim for failure to reimburse business expenses. On December 18, 2008, the Court ruled that it would certify two classes, one of California Consultants and another of California Senior Consultants, on the overtime pay claims. The Court also ruled that it would deny certification, without prejudice, on the claims for alleged unpaid meal and rest breaks. Further, it ruled that the Plaintiffs must submit a detailed trial plan, which the Court may use to revisit the class certification issue. The class has not yet been given notice of the action or the ruling. On February 6, 2009 the Court issued its order certifying the two classes described above on the overtime pay claims. A ruling in the unrelated *Harris* case referenced in the first paragraph of this Item 3 may have a material adverse bearing on Protiviti's position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. Protiviti believes it has meritorious defenses to the allegations, and Protiviti intends to continue to vigorously defend against the litigation.

On September 24, 2007, Plaintiff Van Williamson, on behalf of himself and a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California were not provided meal periods, paid rest periods, and accurate itemized wage statements. It seeks one hour of wages for each employee for each meal and rest period missed during the statutory liability period. It also seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged failure to provide the meal and rest periods and accurate itemized wage statements. The allegations in the complaint are substantially similar to the allegations included in the complaint filed by Mark Laffitte described above. On August 28, 2008, the Court stayed the litigation pending the California Supreme Court's decision on whether to review a case unrelated to the Company titled *Brinker Restaurant Corp. v. Superior Court*. On October 22, 2008, the California Supreme Court granted such review. The Plaintiffs and Defendants in the current action are scheduled to review the stay with the Court

on February 26, 2009. A ruling in the unrelated *Harris* case referenced in the first paragraph of this Item 3 and/or the *Brinker* case referenced above may have a material adverse bearing on the Company's position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On September 16, 2008, Plaintiff Donald R. Green, on behalf of himself and a putative class of all temporary staffing employees in California, filed a complaint in California Superior Court naming the Company and one of its wholly owned subsidiaries as Defendants. The complaint alleges that temporary employees in California were improperly denied expense reimbursement and wages for time purportedly spent preparing for interviews, and traveling to and attending interviews with, alleged clients of Defendants. Plaintiff seeks penalties and equitable and legal remedies under Section 17200 of the California Business and Professions Code and Sections 1194 and 2802 of the California Labor Code. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to vigorously defend against the litigation.

The Company's Form 10-Q for the quarter ended September 30, 2008 and the Company's Form 10-K for the year ended December 31, 2007 contained disclosure regarding a complaint filed against the Company and three of its wholly owned subsidiaries on August 9, 2005, by Plaintiff Lizette Greene, on behalf of herself and a putative class of salaried "inside sales persons." On February 11, 2009, the Court dismissed this case.

The Company is involved in a number of other lawsuits arising in the ordinary course of business. While management does not expect any of these other matters to have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is subject to certain inherent uncertainties.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price, Dividends and Related Matters

The Company’s Common Stock is listed for trading on the New York Stock Exchange under the symbol “RHI”. On January 31, 2009, there were 5,357 holders of record of the Common Stock.

Following is a list by fiscal quarters of the sales prices of the stock:

<u>2008</u>	Sales Prices	
	High	Low
4th Quarter	\$24.64	\$14.31
3rd Quarter	\$29.99	\$21.96
2nd Quarter	\$26.60	\$22.51
1st Quarter	\$28.32	\$21.21
<u>2007</u>	Sales Prices	
	High	Low
4th Quarter	\$32.95	\$24.41
3rd Quarter	\$38.24	\$28.59
2nd Quarter	\$38.01	\$32.78
1st Quarter	\$42.21	\$35.91

Cash dividends of \$.11 per share were declared and paid in each quarter of 2008. Cash dividends of \$.10 per share were declared and paid in each quarter of 2007.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans (d)
October 1, 2008 to October 31, 2008	110,659(a)	\$17.96	110,454	13,702,465
November 1, 2008 to November 30, 2008	3,788,556(b)	\$17.91	3,788,532	9,913,933
December 1, 2008 to December 31, 2008	291,025(c)	\$19.88	118,536	9,795,397
Total October 1, 2008 to December 31, 2008	4,190,240		4,017,522	

- (a) Includes 205 shares repurchased in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable withholding taxes and/or exercise price.
- (b) Includes 24 shares repurchased in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable withholding taxes and/or exercise price.
- (c) Includes 172,489 shares repurchased in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable withholding taxes and/or exercise price.
- (d) Commencing in October 1997, the Company’s Board of Directors has, at various times, authorized the repurchase, from time to time, of the Company’s common stock on the open market or in privately negotiated transactions depending on market conditions. Since plan inception, a total of 78,000,000 shares have been authorized for repurchase, of which, 68,204,603 shares have been repurchased as of December 31, 2008.

The remainder of the information required by this item is incorporated by reference to Part III, Item 12 of this Form 10-K.

Item 6. Selected Financial Data

The selected five-year financial data presented below should be read in conjunction with the information contained in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and the Company’s Consolidated Financial Statements and the Notes thereto contained in Item 8. Financial Statements and Supplementary Data.

	Years Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands)				
Income Statement Data:					
Net service revenues	\$4,600,554	\$4,645,666	\$4,013,546	\$3,338,439	\$2,675,696
Direct costs of services, consisting of payroll, payroll taxes, insurance costs and reimbursable expenses	<u>2,686,983</u>	<u>2,667,838</u>	<u>2,319,293</u>	<u>1,965,390</u>	<u>1,619,394</u>
Gross margin	1,913,571	1,977,828	1,694,253	1,373,049	1,056,302
Selling, general and administrative expenses	1,496,839	1,497,957	1,243,952	991,488	824,382
Amortization of intangible assets	2,617	2,594	851	335	1,025
Interest income, net	<u>(5,161)</u>	<u>(13,127)</u>	<u>(16,752)</u>	<u>(10,948)</u>	<u>(3,770)</u>
Income before income taxes	419,276	490,404	466,202	392,174	234,665
Provision for income taxes	<u>169,095</u>	<u>194,192</u>	<u>183,024</u>	<u>154,304</u>	<u>94,061</u>
Net income	<u>\$ 250,181</u>	<u>\$ 296,212</u>	<u>\$ 283,178</u>	<u>\$ 237,870</u>	<u>\$ 140,604</u>

	Years Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands, except per share amounts)				
Net Income Per Share:					
Basic	\$ 1.65	\$ 1.85	\$ 1.71	\$ 1.42	\$.83
Diluted	\$ 1.63	\$ 1.81	\$ 1.65	\$ 1.36	\$.79
Shares:					
Basic	151,607	159,767	166,003	167,664	169,742
Diluted	153,289	163,479	171,712	174,382	176,866
Cash Dividends Declared Per Share	\$.44	\$.40	\$.32	\$.28	\$.18

	December 31,				
	2008	2007	2006	2005	2004
	(in thousands)				
Balance Sheet Data:					
Goodwill and other intangible assets, net . . .	\$ 189,382	\$ 195,143	\$ 178,665	\$ 165,857	\$ 167,931
Total assets	\$1,411,850	\$1,450,298	\$1,459,021	\$1,318,686	\$1,198,657
Long-term debt financing	\$ 1,892	\$ 3,753	\$ 3,831	\$ 2,698	\$ 2,266
Stockholders’ equity	\$ 983,888	\$ 984,049	\$1,042,671	\$ 970,873	\$ 911,870

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Certain information contained in Management’s Discussion and Analysis and in other parts of this report may be deemed forward-looking statements regarding events and financial trends that may affect the Company’s future operating results or financial positions. These statements may be identified by words such as “estimate”, “forecast”, “project”, “plan”, “intend”, “believe”, “expect”, “anticipate”, or variations or negatives thereof or by similar or comparable words or phrases. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. These risks and uncertainties include, but are not limited to, the following: the global financial and economic situation; changes in levels of unemployment and other economic conditions in the United States or foreign countries where the Company does business, or in particular regions or industries; reduction in the supply of candidates for temporary employment or the Company’s ability to attract candidates; the entry of new competitors into the marketplace or expansion by existing competitors; the ability of the Company to maintain existing client relationships and attract new clients in the context of changing economic or competitive conditions; the impact of competitive pressures, including any change in the demand for the Company’s services, on the Company’s ability to maintain its margins; the possibility of the Company incurring liability for its activities, including the activities of its temporary employees, or for events impacting its temporary employees on clients’ premises; the possibility that adverse publicity could impact the Company’s ability to attract and retain clients and candidates; the success of the Company in attracting, training, and retaining qualified management personnel and other staff employees; the Company’s ability to comply with governmental regulations affecting personnel services businesses in particular or employer/employee relationships in general; whether there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services; the Company’s reliance on short-term contracts for a significant percentage of its business; litigation relating to prior or current transactions or activities, including litigation that may be disclosed from time to time in the Company’s SEC filings; the ability of the Company to manage its international operations and comply with foreign laws and regulations; the impact of fluctuations in foreign currency exchange rates; the possibility that the Company’s computer and communications hardware and software systems could be damaged or their service interrupted; and the possibility that the Company may fail to maintain adequate financial and management controls and as a result suffer errors in its financial reporting. Additionally, with respect to Protiviti, other risks and uncertainties include the fact that future success will depend on its ability to retain employees and attract clients; there can be no assurance that there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services; failure to produce projected revenues could adversely affect financial results; and there is the possibility of involvement in litigation relating to prior or current transactions or activities. Further information regarding these and other risks and uncertainties is contained in Item 1A. “Risk Factors.” Because long-term contracts are not a significant part of the Company’s business, future results cannot be reliably predicted by considering past trends or extrapolating past results.

Critical Accounting Policies and Estimates

As described below, the Company’s most critical accounting policies and estimates are those that involve subjective decisions or assessments.

Accounts Receivable Allowances. The Company maintains allowances for estimated losses resulting from (i) the inability of its customers to make required payments, (ii) temporary placement sales adjustments, and (iii) permanent placement candidates not remaining with the client through the 90-day guarantee period, commonly referred to as “fall offs”. The Company establishes these allowances based on its review of customers’ credit profiles, historical loss statistics and current trends. The adequacy of these allowances is reviewed each reporting period. Historically, the Company’s actual losses and credits have been consistent with these allowances. As a percentage of gross accounts receivable, the Company’s accounts receivable allowances totaled 6.6% and 4.6% as of December 31, 2008 and 2007, respectively. As of December 31, 2008, a five-percentage point deviation in the Company’s accounts receivable allowances balance would have resulted in an increase or decrease in the allowance of \$1.7 million. Although future results cannot always be predicted by extrapolating past results, management believes that it is reasonably likely that future results will be consistent with historical trends and experience. However, if the financial condition of the Company’s customers were to

deteriorate, resulting in an impairment of their ability to make payments, or if unexpected events or significant future changes in trends were to occur, additional allowances may be required.

Income Tax Assets and Liabilities. In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. Deferred tax assets and liabilities are measured and recorded using current enacted tax rates, which the Company expects will apply to taxable income in the years in which those temporary differences are recovered or settled. The likelihood of a material change in the Company's expected realization of these assets is dependent on future taxable income, its ability to use foreign tax credit carryforwards and carrybacks, final U.S. and foreign tax settlements, and the effectiveness of its tax planning in the various relevant jurisdictions.

The Company also evaluates the need for valuation allowances to reduce the deferred tax assets to realizable amounts. Management evaluates all positive and negative evidence and uses judgment regarding past and future events, including operating results, to help determine when it is more likely than not that all or some portion of our deferred tax assets may not be realized. When appropriate, a valuation allowance is recorded against deferred tax assets to offset future tax benefits that may not be realized. In relation to actual net operating losses in certain foreign operations, valuation allowances of \$14.6 million were recorded as of December 31, 2008. If such losses are ultimately utilized to offset future operating income, the Company will benefit its deferred tax assets up to the full amount of the valuation reserve.

While management believes that its judgments and interpretations regarding income taxes are appropriate, significant differences in actual experience may materially affect the future financial results of the Company.

Goodwill Impairment. The Company assesses the impairment of goodwill annually in the second quarter, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment assessments for goodwill are done at a reporting unit level. For purposes of this assessment, the Company's reporting units are its lines of business. In performing periodic impairment tests, the fair value of the reporting unit is compared to the carrying value, including goodwill and intangible assets. If the fair value exceeds the carrying value, there is no impairment. If the carrying value exceeds the fair value, however, an impairment condition may exist.

The goodwill impairment assessment is based upon a discounted cash flow analysis. The estimate of future cash flows is based upon, among other things, a discount rate and certain assumptions about expected future operating performance. The discount rate used by management has been calculated on a consistent basis and has not fluctuated significantly. The primary assumptions related to future operating performance include revenue growth rates and expense levels. These assumptions are updated annually and are primarily based upon historical trends. The Company's estimates of discounted cash flow may differ from actual cash flow due to, among other things, economic conditions, changes to its business model or changes in its operating performance. Although management believes the assumptions and estimates made in its goodwill impairment analysis to be reasonable and appropriate, different assumptions could materially impact the Company's reported financial results. As of December 31, 2008 and 2007, total goodwill equaled \$187.5 million and \$191.1 million, respectively. The Company completed its annual goodwill impairment analysis during each of the years ended December 31, 2008 and 2007, and determined that no adjustment to the carrying value of goodwill was required.

Workers' Compensation. Except for states which require participation in state-operated insurance funds, the Company retains the economic burden for the first \$0.5 million per occurrence in workers' compensation claims. Workers' compensation includes ongoing healthcare and indemnity coverage for claims and may be paid over numerous years following the date of injury. Claims in excess of \$0.5 million are insured. Workers' compensation expense includes the insurance premiums for claims in excess of \$0.5 million, claims administration fees charged by the Company's workers' compensation administrator, premiums paid to state-operated insurance funds, and an estimate for the Company's liability for Incurred But Not Reported ("IBNR") claims and for the ongoing development of existing claims. Total workers' compensation expense was \$12.1

million and \$9.4 million, representing 0.37% and 0.27% of applicable U.S. revenue for the years ended December 31, 2008 and 2007, respectively.

The accrual for IBNR claims and for the ongoing development of existing claims in each reporting period includes estimates. The Company has established reserves for workers' compensation claims using loss development rates which are estimated using periodic third party actuarial valuations based upon historical loss statistics which include the Company's historical frequency and severity of workers' compensation claims, and an estimate of future cost trends. While management believes that its assumptions and estimates are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's future results. Based on the Company's results for the year ended December 31, 2008, a five-percentage point deviation in the Company's estimated loss development rates would have resulted in an increase or decrease in the reserve of \$0.5 million.

Stock-based Compensation. Under various stock plans, officers, employees and outside directors have received or may receive grants of restricted stock, stock units, stock appreciation rights or options to purchase common stock.

Compensation expense for restricted stock and stock units is generally recognized on a straight-line basis over the vesting period, based on the stock's fair market value on the grant date. For restricted stock grants issued with performance conditions, compensation expense is recognized over each vesting tranche. The Company recognizes compensation expense for only the portion of restricted stock and stock units that is expected to vest, rather than record forfeitures when they occur. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods. For purposes of calculating stock-based compensation expense for retirement-eligible employees, the service period is assumed to be met on the grant date or retirement-eligible date, whichever is later.

No stock appreciation rights have been granted under the Company's existing stock plans.

The Company determines the fair value of options to purchase common stock using the Black-Scholes valuation model. The Company recognizes expense over the service period for options that are expected to vest and records adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates. The Company has not granted any options to purchase common stock since 2006.

For the years ended December 31, 2008, 2007 and 2006, compensation expense related to restricted stock and stock units was \$63.6 million, \$53.8 million and \$40.8 million, respectively, of which \$17.0 million, \$21.1 million and \$10.2 million was related to grants made in 2008, 2007 and 2006, respectively. A one-percentage point deviation in the estimated forfeiture rates would have resulted in a \$0.6 million, \$0.5 million and \$0.4 million increase or decrease in compensation expense related to restricted stock and stock units for the years ended December 31, 2008, 2007 and 2006, respectively.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree, and the goodwill acquired. SFAS 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 141(R) to have a material effect on its Financial Statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a

parent's ownership interest, and the valuation of retained, noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 160 to have a material effect on its Financial Statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. Subsequently in February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for non-financial assets and liabilities, except for items that are recognized and disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. The implementation of SFAS 157 for financial assets and liabilities, effective January 1, 2008, did not impact the Company's consolidated Financial Statements. The Company does not expect the adoption of SFAS 157 for non-financial assets and liabilities to have a material effect on its Financial Statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* ("SFAS 161"). SFAS 161 expands quarterly disclosure requirements included in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), about an entity's derivative instruments and hedging activities. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company does not expect the adoption of SFAS 161 to have a material effect on its Financial Statements.

In June 2008, the FASB issued Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ("FSP EITF 03-6-1"). FSP EITF 03-6-1 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities and should be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of FSP EITF 03-6-1 to have a material effect on its Financial Statements.

Results of Operations for the Three Years Ended December 31, 2008

Temporary and consultant staffing services revenues were \$3.6 billion, \$3.6 billion and \$3.1 billion for the years ended December 31, 2008, 2007 and 2006, respectively, remaining flat in 2008 and increasing by 16% in 2007. Because fluctuations in foreign currency exchange rates have an impact on revenue, the Company provides selected growth results on a constant-currency basis. Constant-currency percentages are calculated using as-reported amounts which have been retranslated using the prior year's foreign currency exchange rates. On a constant-currency basis, temporary and consultant staffing services revenues decreased 1% and increased 14% for the years ended December 31, 2008 and 2007, respectively. Permanent placement revenues were \$427 million, \$444 million and \$336 million for the years ended December 31, 2008, 2007 and 2006, respectively, decreasing by 4% in 2008 and increasing by 32% in 2007. On a constant-currency basis, permanent placement services revenues decreased 5% and increased 29% for the years ended December 31, 2008 and 2007, respectively. The 2008 decrease in temporary and permanent staffing services revenues was the result of weakening general macroeconomic conditions in the United States, partially offset by higher international revenues, particularly in Continental Europe. Risk consulting and internal audit services revenues were \$547 million, \$552 million and \$543 million for the years ended December 31, 2008, 2007 and 2006, respectively, decreasing by 1% in 2008 and increasing by 2% in 2007. On a constant-currency basis, risk consulting and internal audit services revenues decreased 2% and were flat for the years ended December 31, 2008 and 2007, respectively. The 2008 decrease in risk consulting and internal audit services revenues was the result of difficult global economic conditions which weakened as the year progressed. There can be no assurances that there will be ongoing demand for risk consulting and internal audit services, or that future results can be reliably predicted by considering past trends or extrapolating past results. We expect total Company revenues to continue to be impacted by general macroeconomic conditions in 2009.

The Company's temporary and permanent staffing services business has more than 370 offices in 42 states, the District of Columbia and 20 foreign countries, while Protiviti has more than 60 offices in 23 states and 16 foreign countries. Revenues from foreign operations represented 29%, 24% and 21% of revenues for the years ended December 31, 2008, 2007 and 2006, respectively.

Gross margin dollars from the Company's temporary and consultant staffing services represent revenues less direct costs of services, which consist of payroll, payroll taxes and insurance costs for temporary employees, and reimbursable expenses. Gross margin dollars from permanent placement staffing services represent revenues less reimbursable expenses. Gross margin dollars for risk consulting and internal audit services represent revenues less direct costs of services, which consist primarily of professional staff payroll, payroll taxes, insurance costs and reimbursable expenses. Gross margin dollars for the Company's temporary and consultant staffing services were \$1.3 billion, \$1.4 billion and \$1.2 billion for the years ended December 31, 2008, 2007 and 2006, respectively, decreasing by 2% in 2008 and increasing by 17% in 2007. On a constant-currency basis, temporary and consultant staffing services gross margin dollars decreased 3% and increased 15% for the years ended December 31, 2008 and 2007, respectively. Gross margin amounts equaled 37% of revenues for temporary and consultant staffing services for each of the years ended December 31, 2008, 2007 and 2006.

Gross margin dollars for the Company's permanent placement staffing division were \$427 million, \$444 million and \$336 million for the years ended December 31, 2008, 2007 and 2006, respectively, decreasing by 4% in 2008 and increasing by 32% in 2007. On a constant-currency basis, permanent placement staffing services gross margin dollars decreased 5% and increased 29% for the years ended December 31, 2008 and 2007, respectively.

Gross margin dollars for the Company's risk consulting and internal audit division were \$155 million, \$175 million and \$199 million for the years ended December 31, 2008, 2007 and 2006, respectively, decreasing by 11% and 12% in 2008 and 2007, respectively. On a constant-currency basis, risk consulting and internal audit services gross margin dollars decreased by 13% for both the years ended December 31, 2008 and 2007. Gross margin amounts equaled 28%, 32% and 37% of revenues for risk consulting and internal audit services for the years ended December 31, 2008, 2007 and 2006, respectively. The year-over-year margin decline is primarily due to the higher mix of non-U.S. revenues.

Selling, general and administrative expenses were \$1.5 billion in 2008, compared to \$1.5 billion in 2007 and \$1.2 billion in 2006. Selling, general and administrative expenses as a percentage of revenues were 33%, 32% and 31% for the years ended December 31, 2008, 2007 and 2006, respectively. Selling, general and administrative expenses consist primarily of staff compensation, advertising, depreciation and occupancy costs.

For acquisitions, the Company allocates the excess of cost over the fair market value of the net tangible assets first to identifiable intangible assets, if any, and then to goodwill. Identifiable intangible assets are amortized over their lives, typically ranging from two to five years. Goodwill is not amortized, but is tested at least annually for impairment. The Company completed its annual goodwill impairment analysis during each of the years ended December 31, 2008 and 2007, and determined that no adjustment to the carrying value of goodwill was required. Net intangible assets, consisting primarily of goodwill, represented 13% of total assets and 19% of total stockholders' equity at December 31, 2008.

Interest income for the years ended December 31, 2008, 2007 and 2006, was \$10.5 million, \$17.2 million and \$19.3 million, respectively. Lower 2008 interest income was primarily due to lower interest rates. Interest expense for the years ended December 31, 2008, 2007 and 2006, was \$5.3 million, \$4.1 million and \$2.5 million, respectively.

The provision for income taxes was 40%, 40% and 39% of income before taxes for the years ended December 31, 2008, 2007 and 2006, respectively.

Liquidity and Capital Resources

The change in the Company's liquidity during the years ended December 31, 2008, 2007 and 2006, is primarily the net effect of funds generated by operations and the funds used for capital expenditures, repurchases of common stock, payment of dividends and principal payments on outstanding notes payable.

Cash and cash equivalents were \$355 million, \$310 million and \$447 million at December 31, 2008, 2007 and 2006, respectively. Operating activities provided \$447 million during the year ended December 31, 2008, partially offset by \$95 million and \$285 million of net cash used in investing activities and financing activities, respectively. Operating activities provided \$411 million during the year ended December 31, 2007, partially offset by \$116 million and \$452 million of net cash used in investing activities and financing activities, respectively. Operating activities provided \$376 million during the year ended December 31, 2006, partially offset by \$96 million and \$299 million of net cash used in investing activities and financing activities, respectively.

Operating activities—Net cash provided by operating activities for the year ended December 31, 2008, was composed of net income of \$250 million adjusted for non-cash items of \$150 million, and net cash provided by changes in working capital of \$47 million. Net cash provided by operating activities for the year ended December 31, 2007, was composed of net income of \$296 million adjusted for non-cash items of \$124 million, and net cash used by changes in working capital of \$9 million. Net cash provided by operating activities for the year ended December 31, 2006, was composed of net income of \$283 million adjusted for non-cash items of \$58 million, and net cash provided by changes in working capital of \$35 million.

Investing activities—Cash used in investing activities for the year ended December 31, 2008, was \$95 million. This was primarily composed of capital expenditures of \$73 million and deposits to trusts for employee benefits and retirement plans of \$21 million. Cash used in investing activities for the year ended December 31, 2007, was \$116 million. This was composed of capital expenditures of \$84 million, purchases of goodwill and other intangible assets of \$19 million, and deposits to trusts for employee benefits and retirement plans of \$13 million. Cash used in investing activities for the year ended December 31, 2006, was \$96 million. This was composed of capital expenditures of \$80 million, purchases of goodwill and other intangible assets of \$12 million, and deposits to trusts for employee benefits and retirement plans of \$4 million.

Financing activities—Cash used in financing activities for the year ended December 31, 2008, was \$285 million. This included repurchases of \$245 million in common stock, \$69 million in cash dividends to stockholders and principal payments on notes payable and other indebtedness of \$2 million, offset by proceeds of \$27 million from exercises of stock options and the excess tax benefits from stock-based compensation of \$4 million. Cash used in financing activities for the year ended December 31, 2007, was \$452 million. This included repurchases of \$453 million in common stock and \$66 million in cash dividends to stockholders, partially offset by proceeds of \$52 million from exercises of stock options and the excess tax benefits from stock-based compensation of \$15 million. Cash used in financing activities for the year ended December 31, 2006, was \$299 million. This included repurchases of \$400 million in common stock and \$54 million in cash dividends to stockholders, partially offset by proceeds of \$105 million from exercises of stock options and the excess tax benefits from stock-based compensation of \$50 million.

As of December 31, 2008, the Company is authorized to repurchase, from time to time, up to 9.8 million additional shares of the Company's common stock on the open market or in privately negotiated transactions, depending on market conditions. During the years ended December 31, 2008, 2007 and 2006, the Company repurchased approximately 9.4 million shares, 12.2 million shares and 7.9 million shares of common stock on the open market for a total cost of \$203 million, \$397 million and \$273 million, respectively. Additional stock repurchases were made in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of exercise price and applicable statutory withholding taxes. During the years ended December 31, 2008, 2007 and 2006, such repurchases totaled approximately 1.6 million shares, 1.6 million shares and 3.3 million shares at a cost of \$42 million, \$58 million and \$127 million, respectively. Repurchases of shares have been funded with cash generated from operations.

The Company's working capital at December 31, 2008, included \$355 million in cash and cash equivalents. The Company's working capital requirements relate primarily to accounts receivable. While there can be no assurances in this regard, the Company expects that internally generated cash will be sufficient to support the working capital needs of the Company, the Company's fixed payments, dividends, and other obligations on both a short- and long-term basis.

On February 12, 2009, the Company announced a quarterly dividend of \$.12 per share to be paid to all shareholders of record on February 25, 2009. The dividend will be paid on March 16, 2009.

The Company's cash flows generated from operations are also the primary source for funding various contractual obligations. The table below summarizes the Company's major commitments as of December 31, 2008 (in thousands):

Contractual Obligations	Payments due by period				
	2009	2010 and 2011	2012 and 2013	Thereafter	Total
Long-term debt obligations	\$ 278	\$ 555	\$ 508	\$ 2,019	\$ 3,360
Operating lease obligations	109,281	176,551	95,151	127,577	508,560
Purchase obligations	15,702	4,760	18	—	20,480
Other liabilities	1,069	2,709	5,271	7,156	16,205
Total	\$126,330	\$184,575	\$100,948	\$136,752	\$548,605

Long-term debt obligations consist of promissory notes and related interest as well as other forms of indebtedness issued in connection with certain acquisitions and other payment obligations. Operating lease obligations consist of minimum rental commitments for 2009 and thereafter under non-cancelable leases in effect at December 31, 2008. Purchase obligations consist of purchase commitments primarily related to telecom service agreements, software licenses and subscriptions, and computer hardware and software maintenance agreements. The above table does not reflect \$20.5 million of unrecognized tax benefits which the Company has accrued for uncertain tax positions in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. As of December 31, 2008, the Company classified \$18.4 million of its unrecognized tax benefits as a current liability, as these amounts are expected to be paid in the next twelve months. The remaining \$2.1 million of unrecognized tax benefits have been classified as a non-current liability, as a reasonably reliable estimate of the period of future payments, if any, could not be determined.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of foreign currency fluctuations. The Company's exposure to foreign currency exchange rates relates primarily to the Company's foreign subsidiaries. Exchange rates impact the U.S. dollar value of the Company's reported earnings, investments in its foreign subsidiaries, and the intercompany transactions with its foreign subsidiaries.

For the year ended December 31, 2008, approximately 29% of the Company's revenues were generated outside of the United States. These operations transact business in their functional currency. As a result, fluctuations in the value of foreign currencies against the U.S. dollar have an impact on the Company's reported results. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates prevailing during the period. Consequently, as the value of the U.S. dollar changes relative to the currencies of the Company's non-U.S. markets, the Company's reported results vary.

Fluctuations in currency exchange rates impact the U.S. dollar amount of the Company's stockholders' equity. The assets and liabilities of the Company's non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at period end. The resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income.

Item 8. Financial Statements and Supplementary Data

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands, except share amounts)

	December 31,	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 354,756	\$ 310,000
Accounts receivable, less allowances of \$34,217 and \$28,464	484,808	593,169
Deferred income taxes and other current assets	193,335	156,469
Total current assets	1,032,899	1,059,638
Goodwill and other intangible assets, net	189,382	195,143
Property and equipment, net	145,699	152,311
Deferred income taxes	43,870	43,206
Total assets	\$1,411,850	\$1,450,298
LIABILITIES		
Accounts payable and accrued expenses	\$ 111,645	\$ 108,070
Accrued payroll costs and retirement obligations	301,102	323,264
Income taxes payable	—	16,248
Current portion of notes payable and other indebtedness	105	370
Total current liabilities	412,852	447,952
Notes payable and other indebtedness, less current portion	1,892	3,753
Other liabilities	13,218	14,544
Total liabilities	427,962	466,249
Commitments and Contingencies (Note I)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.001 par value authorized 5,000,000 shares; issued and outstanding zero shares	—	—
Common stock, \$.001 par value authorized 260,000,000 shares; issued and outstanding 150,943,324 and 158,057,575 shares	151	158
Capital surplus	949,474	915,038
Accumulated other comprehensive income	34,263	68,853
Retained earnings	—	—
Total stockholders' equity	983,888	984,049
Total liabilities and stockholders' equity	\$1,411,850	\$1,450,298

The accompanying Notes to Consolidated Financial Statements
are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Years Ended December 31,		
	2008	2007	2006
Net service revenues	\$4,600,554	\$4,645,666	\$4,013,546
Direct costs of services, consisting of payroll, payroll taxes, insurance costs and reimbursable expenses	2,686,983	2,667,838	2,319,293
Gross margin	1,913,571	1,977,828	1,694,253
Selling, general and administrative expenses	1,496,839	1,497,957	1,243,952
Amortization of intangible assets	2,617	2,594	851
Interest income, net	(5,161)	(13,127)	(16,752)
Income before income taxes	419,276	490,404	466,202
Provision for income taxes	169,095	194,192	183,024
Net income	<u>\$ 250,181</u>	<u>\$ 296,212</u>	<u>\$ 283,178</u>
Basic net income per share	\$ 1.65	\$ 1.85	\$ 1.71
Diluted net income per share	\$ 1.63	\$ 1.81	\$ 1.65
Shares:			
Basic	151,607	159,767	166,003
Diluted	153,289	163,479	171,712
Cash dividends declared per share	\$.44	\$.40	\$.32

The accompanying Notes to Consolidated Financial Statements
are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share amounts)

	Years Ended December 31,		
	2008	2007	2006
COMMON STOCK—SHARES:			
Balance at beginning of period	158,058	167,848	170,682
Net issuances of restricted stock	2,240	1,297	1,702
Repurchases of common stock	(11,000)	(13,835)	(11,242)
Exercises of stock options	1,645	2,748	6,706
Balance at end of period	<u>150,943</u>	<u>158,058</u>	<u>167,848</u>
COMMON STOCK—PAR VALUE:			
Balance at beginning of period	\$ 158	\$ 168	\$ 171
Net issuances of restricted stock	2	1	2
Repurchases of common stock	(11)	(14)	(12)
Exercises of stock options	2	3	7
Balance at end of period	<u>\$ 151</u>	<u>\$ 158</u>	<u>\$ 168</u>
CAPITAL SURPLUS:			
Balance at beginning of period	\$ 915,038	\$ 1,003,926	\$ 875,843
Net issuances of restricted stock at par value	(2)	(1)	(2)
Repurchases of common stock—excess over par value	(63,913)	(225,641)	(14,980)
Exercises of stock options—excess over par value	27,478	52,383	105,366
Stock-based compensation expense—restricted stock and stock units	63,571	53,830	40,835
Stock-based compensation expense—stock options	5,109	9,229	17,628
Tax impact of equity incentive plans	2,193	21,312	65,414
Reclassification of deferred compensation	—	—	(86,178)
Balance at end of period	<u>\$ 949,474</u>	<u>\$ 915,038</u>	<u>\$ 1,003,926</u>
DEFERRED COMPENSATION:			
Balance at beginning of period	\$ —	\$ —	\$ (86,178)
Reclassification of deferred compensation	—	—	86,178
Balance at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Balance at beginning of period	\$ 68,853	\$ 38,577	\$ 24,987
Translation adjustments, net of tax	(34,590)	30,276	13,590
Balance at end of period	<u>\$ 34,263</u>	<u>\$ 68,853</u>	<u>\$ 38,577</u>
RETAINED EARNINGS:			
Balance at beginning of period	\$ —	\$ —	\$ 156,050
Cumulative impact from adoption of FASB Interpretation No. 48	—	(1,709)	—
Repurchases of common stock—excess over par value	(181,573)	(228,983)	(384,825)
Cash dividends (\$.44 per share, \$.40 per share and \$.32 per share)	(68,608)	(65,520)	(54,403)
Net income	250,181	296,212	283,178
Balance at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
COMPREHENSIVE INCOME:			
Net income	\$ 250,181	\$ 296,212	\$ 283,178
Translation adjustments, net of tax	(34,590)	30,276	13,590
Total comprehensive income	<u>\$ 215,591</u>	<u>\$ 326,488</u>	<u>\$ 296,768</u>

The accompanying Notes to Consolidated Financial Statements
are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 250,181	\$ 296,212	\$ 283,178
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	2,617	2,594	851
Depreciation expense	70,593	68,847	60,234
Stock-based compensation expense—restricted stock and stock units	63,571	53,830	40,835
Stock-based compensation expense—stock options	5,109	9,229	17,628
Excess tax benefits from stock-based compensation	(3,688)	(14,690)	(49,929)
Provision for deferred income taxes	(6,043)	(7,242)	(19,318)
Provision for doubtful accounts	18,137	11,359	7,585
Changes in assets and liabilities, net of effects of acquisitions:			
Decrease (increase) in accounts receivable	67,283	(54,723)	(75,442)
(Decrease) increase in accounts payable, accrued expenses, accrued payroll costs and retirement obligations	(5,238)	26,944	49,542
(Decrease) increase in income taxes payable	(12,941)	28,839	66,166
Change in other assets, net of change in other liabilities	(2,456)	(9,975)	(5,112)
Net cash flows provided by operating activities	447,125	411,224	376,218
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of goodwill and other intangible assets and other assets	(272)	(19,524)	(11,958)
Capital expenditures	(73,413)	(83,777)	(80,446)
Increase in trusts for employee benefits and retirement plans	(21,116)	(12,949)	(3,618)
Net cash flows used in investing activities	(94,801)	(116,250)	(96,022)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchases of common stock	(245,497)	(452,944)	(399,817)
Cash dividends paid	(68,608)	(65,520)	(54,403)
Decrease in notes payable and other indebtedness	(1,980)	(352)	(348)
Excess tax benefits from stock-based compensation	3,688	14,690	49,929
Proceeds from exercises of stock options	27,480	52,386	105,373
Net cash flows used in financing activities	(284,917)	(451,740)	(299,266)
Effect of exchange rate changes on cash and cash equivalents	(22,651)	19,287	8,191
Net increase (decrease) in cash and cash equivalents	44,756	(137,479)	(10,879)
Cash and cash equivalents at beginning of period	310,000	447,479	458,358
Cash and cash equivalents at end of period	\$ 354,756	\$ 310,000	\$ 447,479
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	\$ 485	\$ 505	\$ 537
Income taxes, net of refunds	\$ 192,205	\$ 165,866	\$ 131,769
Purchase of goodwill and other intangible assets and other assets:			
Assets acquired			
Goodwill and other intangible assets	\$ 272	\$ 16,917	\$ 13,970
Other assets	—	3,002	4,051
Liabilities incurred			
Notes payable and other contracts	—	—	(1,524)
Other liabilities	—	(395)	(4,539)
Cash paid, net of cash acquired	\$ 272	\$ 19,524	\$ 11,958
Non-cash items:			
Stock repurchases awaiting settlement	\$ —	\$ 1,694	\$ —

The accompanying Notes to Consolidated Financial Statements
are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies

Nature of Operations. Robert Half International Inc. (the “Company”) provides specialized staffing and risk consulting services through such divisions as *Accountemps*®, *Robert Half*® *Finance & Accounting*, *OfficeTeam*®, *Robert Half*® *Technology*, *Robert Half*® *Management Resources*, *Robert Half*® *Legal*, *The Creative Group*®, and *Protiviti*®. The Company, through its *Accountemps*, *Robert Half Finance & Accounting*, and *Robert Half Management Resources* divisions, is a specialized provider of temporary, full-time, and project professionals in the fields of accounting and finance. *OfficeTeam* specializes in highly skilled temporary administrative support personnel. *Robert Half Technology* provides information technology professionals. *Robert Half Legal* provides temporary, project, and full-time staffing of attorneys and specialized support personnel within law firms and corporate legal departments. *The Creative Group* provides project staffing in the advertising, marketing, and web design fields. *Protiviti* provides business consulting and internal audit services, and is a wholly-owned subsidiary of the Company. Revenues are predominantly derived from specialized staffing services. The Company operates in North America, South America, Europe, Asia and Australia. The Company is a Delaware corporation.

Basis of Presentation. The Consolidated Financial Statements (“Financial Statements”) of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and the rules of the Securities and Exchange Commission (“SEC”).

Principles of Consolidation. The Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All intercompany balances have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As of December 31, 2008, such estimates included allowances for uncollectible accounts receivable, workers’ compensation losses and income and other taxes.

Revenue Recognition. The Company derives its revenues from three segments: temporary and consultant staffing, permanent placement staffing, and risk consulting and internal audit services. Net service revenues as presented on the Consolidated Statements of Operations represent services rendered to customers less sales adjustments and allowances. Reimbursements, including those related to travel and out-of-pocket expenses, are also included in net service revenues, and equivalent amounts of reimbursable expenses are included in direct costs of services. The Company records revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of revenues and expenses. The Company has concluded that gross reporting is appropriate because the Company (i) has the risk of identifying and hiring qualified employees, (ii) has the discretion to select the employees and establish their price and duties and (iii) bears the risk for services that are not fully paid for by customers.

Temporary and consultant staffing revenues—Temporary and consultant staffing revenues are recognized when the services are rendered by the Company’s temporary employees. Employees placed on temporary assignment by the Company are the Company’s legal employees while they are working on assignments. The Company pays all related costs of employment, including workers’ compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. The Company assumes the risk of acceptability of its employees to its customers.

Permanent placement staffing revenues—Permanent placement staffing revenues are recognized when employment candidates accept offers of permanent employment. The Company has a substantial history of estimating the effect of permanent placement candidates who do not remain with its clients through the 90-day guarantee period. Allowances are established to estimate these losses. Fees to clients are generally calculated as a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note A—Summary of Significant Accounting Policies (Continued)

percentage of the new employee's annual compensation. No fees for permanent placement services are charged to employment candidates.

Risk consulting and internal audit revenues—Risk consulting and internal audit services are generally provided on a time-and-material basis or fixed-fee basis. Revenues earned under time-and-material arrangements are recognized as services are provided. Revenues on fixed-fee arrangements are recognized using a proportional performance method as hours are incurred relative to total estimated hours for the engagement. The Company periodically evaluates the need to provide for any losses on these projects, and losses are recognized when it is probable that a loss will be incurred.

Costs of Services. Direct costs of temporary and consultant staffing services consist of payroll, payroll taxes and insurance costs for the Company's temporary employees, as well as reimbursable expenses. Direct costs of permanent placement staffing services consist of reimbursable expenses. Risk consulting and internal audit costs of services include professional staff payroll, payroll taxes and insurance costs, as well as reimbursable expenses.

Advertising Costs. The Company expenses all advertising costs as incurred. Advertising expense totaled \$50.2 million, \$59.2 million and \$52.3 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Comprehensive Income. Comprehensive income includes net income and certain other items that are recorded directly to Stockholders' Equity. The Company's only source of other comprehensive income is foreign currency translation adjustments.

Cash and Cash Equivalents. The Company considers all highly liquid investments with a maturity at the date of purchase of three months or less as cash equivalents.

Goodwill and Intangible Assets. Intangible assets primarily consist of the cost of acquired companies in excess of the fair market value of their net tangible assets at the date of acquisition. Identifiable intangible assets are amortized over their lives, typically ranging from two to five years. Goodwill is not amortized, but is tested at least annually for impairment. The Company completed its annual goodwill impairment analysis during each of the three years ended December 31, 2008, and determined that no adjustment to the carrying value of goodwill was required.

Income Tax Assets and Liabilities. In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. Deferred tax assets and liabilities are measured and recorded using current enacted tax rates, which the Company expects will apply to taxable income in the years in which those temporary differences are recovered or settled. The likelihood of a material change in the Company's expected realization of these assets is dependent on future taxable income, its ability to use foreign tax credit carryforwards and carrybacks, final U.S. and foreign tax settlements, and the effectiveness of its tax planning strategies in the various relevant jurisdictions.

Workers' Compensation. Except for states which require participation in state-operated insurance funds, the Company retains the economic burden for the first \$0.5 million per occurrence in workers' compensation claims. Workers' compensation includes ongoing healthcare and indemnity coverage for claims and may be paid over numerous years following the date of injury. Claims in excess of \$0.5 million are insured. Workers' compensation expense includes the insurance premiums for claims in excess of \$0.5 million, claims administration fees charged by the Company's workers' compensation administrator, premiums paid to state-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note A—Summary of Significant Accounting Policies (Continued)

operated insurance funds, and an estimate for the Company's liability for Incurred But Not Reported ("IBNR") claims and for the ongoing development of existing claims.

The accrual for IBNR claims and for the ongoing development of existing claims in each reporting period includes estimates. The Company has established reserves for workers' compensation claims using loss development rates which are estimated using periodic third party actuarial valuations based upon historical loss statistics which include the Company's historical frequency and severity of workers' compensation claims, and an estimate of future cost trends. While management believes that its assumptions and estimates are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's future results.

Foreign Currency Translation. The results of operations of the Company's foreign subsidiaries are translated at the monthly average exchange rates prevailing during the period. The financial position of the Company's foreign subsidiaries is translated at the current exchange rates at the end of the period, and the related translation adjustments are recorded as a component of accumulated other comprehensive income within Stockholders' Equity. Gains and losses resulting from foreign currency transactions are included as a component of selling, general and administrative expenses in the Consolidated Statements of Operations, and have not been material for all periods presented.

Stock-based Compensation. Under various stock plans, officers, employees and outside directors have received or may receive grants of restricted stock, stock units, stock appreciation rights or options to purchase common stock.

Compensation expense for restricted stock and stock units is generally recognized on a straight-line basis over the vesting period, based on the stock's fair market value on the grant date. For restricted stock grants issued with performance conditions, compensation expense is recognized over each vesting tranche. The Company recognizes compensation expense for only the portion of restricted stock and stock units that is expected to vest, rather than record forfeitures when they occur. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods. For purposes of calculating stock-based compensation expense for retirement-eligible employees, the service period is assumed to be met on the grant date or retirement-eligible date, whichever is later.

No stock appreciation rights have been granted under the Company's existing stock plans.

The Company determines the fair value of options to purchase common stock using the Black-Scholes valuation model. The Company recognizes expense over the service period for options that are expected to vest and records adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates. The Company has not granted any options to purchase common stock since 2006.

Property and Equipment. Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the following useful lives:

Computer hardware	2 to 3 years
Computer software	2 to 5 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease, 5 years maximum

Internal-use Software. The Company capitalizes direct costs incurred in the development of internal-use software. Amounts capitalized are reported as a component of computer software within property and equipment. The Company capitalized approximately \$16.2 million, \$13.3 million and \$8.3 million of internal-use software development costs for the years ended December 31, 2008, 2007 and 2006, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note B—New Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 141(R), *Business Combinations* (“SFAS 141(R)”). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree, and the goodwill acquired. SFAS 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 141(R) to have a material effect on its Financial Statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* (“SFAS 160”). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent’s ownership interest, and the valuation of retained, noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 160 to have a material effect on its Financial Statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS 157”), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. Subsequently in February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for non-financial assets and liabilities, except for items that are recognized and disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. The implementation of SFAS 157 for financial assets and liabilities, effective January 1, 2008, did not impact the Company’s consolidated Financial Statements. The Company does not expect the adoption of SFAS 157 for non-financial assets and liabilities to have a material effect on its Financial Statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* (“SFAS 161”). SFAS 161 expands quarterly disclosure requirements included in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”), about an entity’s derivative instruments and hedging activities. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company does not expect the adoption of SFAS 161 to have a material effect on its Financial Statements.

In June 2008, the FASB issued Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (“FSP EITF 03-6-1”). FSP EITF 03-6-1 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities and should be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of FSP EITF 03-6-1 to have a material effect on its Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note C—Deferred Income Taxes and Other Current Assets

Deferred income taxes and other current assets consisted of the following (in thousands):

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Deferred income taxes	\$ 61,955	\$ 55,522
Deposits in trusts for employee benefits and retirement plans	72,295	51,179
Other	59,085	49,768
	<u>\$193,335</u>	<u>\$156,469</u>

Note D—Goodwill and Other Intangible Assets, Net

The following table sets forth the activity in goodwill and other intangible assets from December 31, 2006 through December 31, 2008 (in thousands):

	<u>Goodwill</u>	<u>Other Intangible Assets</u>	<u>Total</u>
Balance as of December 31, 2006	\$177,125	\$ 1,540	\$178,665
Purchase of intangible assets	11,817	5,100	16,917
Translation adjustments	2,126	29	2,155
Amortization of intangible assets	—	(2,594)	(2,594)
Balance as of December 31, 2007	191,068	4,075	195,143
Purchase of intangible assets	—	272	272
Translation adjustments	(3,538)	122	(3,416)
Amortization of intangible assets	—	(2,617)	(2,617)
Balance as of December 31, 2008	<u>\$187,530</u>	<u>\$ 1,852</u>	<u>\$189,382</u>

The estimated remaining amortization expense is \$1.5 million for 2009 and \$0.4 million for 2010.

Note E—Property and Equipment, Net

Property and equipment consisted of the following (in thousands):

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Computer hardware	\$ 161,696	\$ 151,924
Computer software	259,790	243,216
Furniture and equipment	129,628	129,103
Leasehold improvements	121,861	113,654
Other	16,112	16,089
Property and equipment, cost	689,087	653,986
Accumulated depreciation	(543,388)	(501,675)
Property and equipment, net	<u>\$ 145,699</u>	<u>\$ 152,311</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note F—Accrued Payroll Costs and Retirement Obligations

Accrued payroll costs and retirement obligations consisted of the following (in thousands):

	December 31,	
	2008	2007
Payroll and benefits	\$170,123	\$195,383
Employee retirement obligations	69,868	64,049
Workers' compensation	29,630	28,996
Payroll taxes	31,481	34,836
	\$301,102	\$323,264

Included in employee retirement obligations is \$61 million at December 31, 2008, and \$57 million at December 31, 2007, related to the Company's Chief Executive Officer for a deferred compensation plan and other benefits.

Note G—Notes Payable and Other Indebtedness

The Company issued promissory notes as well as other forms of indebtedness in connection with certain acquisitions and other payment obligations. These are due in varying installments, carry varying interest rates and, in aggregate, amounted to \$2.0 million at December 31, 2008 and \$4.1 million at December 31, 2007. At December 31, 2008, \$2.0 million of the notes were collateralized by a standby letter of credit. The following table shows the schedule of maturities for notes payable and other indebtedness at December 31, 2008 (in thousands):

2009	\$ 105
2010	113
2011	123
2012	111
2013	117
Thereafter	1,428
	\$1,997

At December 31, 2008, the notes carried fixed rates and the weighted average interest rate for the above was approximately 9.0%, 6.5% and 6.9% for the years ended December 31, 2008, 2007 and 2006, respectively.

The Company has an uncommitted letter of credit facility ("the facility") of up to \$35.0 million, which is available to cover the issuance of debt support standby letters of credit. The Company had used \$24.7 million in debt support standby letters of credit as of December 31, 2008, and \$23.1 million as of December 31, 2007. Of the debt support standby letters of credit outstanding, \$22.7 million as of December 31, 2008, and \$21.0 million as of December 31, 2007, satisfies workers' compensation insurer's collateral requirements. There is a service fee of 1.0% on the used portion of the facility. The facility is subject to certain financial covenants and expires on August 31, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note H—Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2008, 2007 and 2006, consisted of the following (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current:			
Federal	\$ 97,262	\$144,520	\$148,926
State	28,046	31,448	32,329
Foreign	49,830	25,466	21,087
Deferred:			
Federal and state	(6,569)	(6,599)	(19,096)
Foreign	526	(643)	(222)
	<u>\$169,095</u>	<u>\$194,192</u>	<u>\$183,024</u>

Income before the provision for income taxes for the years ended December 31, 2008, 2007 and 2006, consisted of the following (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Domestic	\$337,402	\$439,015	\$423,312
Foreign	81,874	51,389	42,890
	<u>\$419,276</u>	<u>\$490,404</u>	<u>\$466,202</u>

The income taxes shown above varied from the statutory federal income tax rates for these periods as follows:

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Federal U.S. income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	4.4	4.3	4.2
Tax-free interest income	(0.2)	(0.3)	(0.5)
Non-deductible expenses	0.9	0.5	0.4
Non-U.S. income taxed at different rates, net of foreign tax credits	(0.1)	0.5	0.1
Federal tax credits	(0.4)	(0.3)	—
Other, net	0.7	(0.1)	0.1
Effective tax rate	<u>40.3%</u>	<u>39.6%</u>	<u>39.3%</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note H—Income Taxes (Continued)

The deferred portion of the tax provision consisted of the following (in thousands):

	Years Ended December 31,		
	2008	2007	2006
Amortization of franchise rights	\$ 824	\$ 994	\$ 972
Amortization of other intangibles	366	(214)	339
Accrued expenses, deducted for tax when paid	(6,398)	(8,544)	(22,154)
Capitalized costs for books, deducted for tax	7,577	6,701	3,673
Depreciation	(2,113)	(3,146)	(4,980)
Federal benefit of FIN 48 liability	831	(3,242)	—
Foreign tax credit carryforwards	(5,434)	—	—
Other, net	(1,696)	209	2,832
	<u>\$(6,043)</u>	<u>\$(7,242)</u>	<u>\$(19,318)</u>

The deferred income tax amounts included on the Consolidated Statements of Financial Position are comprised of the following (in thousands):

	December 31,	
	2008	2007
Current deferred income tax assets, net	\$ 61,955	\$55,522
Long-term deferred income tax assets, net	43,870	43,206
	<u>\$105,825</u>	<u>\$98,728</u>

The components of the deferred income tax amounts at December 31, 2008 and 2007, were as follows (in thousands):

	December 31,	
	2008	2007
Deferred Income Tax Assets		
Provision for bad debts	\$ 11,521	\$ 7,191
Employee retirement and other benefit obligations	44,733	48,219
Workers' compensation	10,404	9,245
Deferred compensation	28,567	23,979
Credits and net operating loss carryforwards	33,330	23,892
Property and equipment basis differences	—	2,497
Other	15,491	15,773
Total deferred income tax assets	<u>144,046</u>	<u>130,796</u>
Deferred Income Tax Liabilities		
Amortization of intangible assets	(16,124)	(14,935)
Property and equipment basis differences	(2,718)	—
Other	(4,801)	(4,434)
Total deferred income tax liabilities	<u>(23,643)</u>	<u>(19,369)</u>
Valuation allowance	(14,578)	(12,699)
Total deferred income tax assets, net	<u>\$105,825</u>	<u>\$ 98,728</u>

The Company has net operating loss carryforwards in a number of states. The tax benefit of these net operating losses is \$0.5 million. These state net operating losses expire in 2009 and later. The Company has net

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note H—Income Taxes (Continued)

operating loss carryforwards in foreign countries. The tax benefit of these net operating losses is \$14.6 million. These net operating losses expire in 2009 and later.

The Company has not provided deferred income taxes or foreign withholding taxes on \$6.5 million and \$4.8 million of undistributed earnings of its non-U.S. subsidiaries as of December 31, 2008 and 2007, respectively, since the Company intends to reinvest these earnings indefinitely. The U.S. tax impact upon repatriation, net of foreign tax credits, would be \$0.7 million and \$0.4 million for the years ended December 31, 2008 and 2007, respectively.

The Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (“FIN 48”) on January 1, 2007. FIN 48 prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The following table reconciles the total amounts of gross unrecognized tax benefits from January 1, 2007 to December 31, 2008 (in thousands):

	December 31,	
	2008	2007
Balance at beginning of period	\$ 5,783	\$ 8,088
Gross increases—tax positions in prior years	15,144	523
Gross decreases—tax positions in prior years	(332)	(1,465)
Gross increases—tax positions in current year	493	122
Settlements	(543)	(1,450)
Lapse of statute of limitations	(60)	(35)
Balance at end of period	\$20,485	\$ 5,783

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is \$2.9 million and \$4.2 million for 2008 and 2007, respectively.

The Company’s continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. The total amount of interest and penalties accrued as of December 31, 2008 and 2007, is \$7.9 million and \$4.9 million, respectively, including \$3.1 million and \$1.9 million, respectively, that was accrued during the year.

The Company believes it is reasonably possible that the settlement of certain tax uncertainties could occur within the next twelve months; accordingly, \$18.4 million and \$3.5 million of the unrecognized gross tax benefit has been classified as a current liability as of December 31, 2008 and 2007, respectively. This amount primarily represents unrecognized tax benefits comprised of items related to assessed state income tax audits, as well as state, U.S. and Canadian federal settlement negotiations currently in progress.

The Company’s major income tax jurisdictions are the United States and Canada. For U.S. federal income tax, the Company remains subject to examination for 2002 and subsequent years. For major U.S. states, with few exceptions, the Company remains subject to examination for 2000 and subsequent years. For Canada, the Company remains subject to examination for 2002 and subsequent years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note I—Commitments and Contingencies

Rental expense, primarily for office premises, amounted to \$108.8 million, \$95.8 million and \$83.4 million for the years ended December 31, 2008, 2007 and 2006, respectively. The approximate minimum rental commitments for 2009 and thereafter under non-cancelable leases in effect at December 31, 2008 were as follows (in thousands):

2009	\$109,281
2010	101,084
2011	75,467
2012	57,827
2013	37,324
Thereafter	<u>127,577</u>
	<u>\$508,560</u>

Additionally, as of December 31, 2008, the Company had future purchase commitments of approximately \$20 million over the next three years primarily related to telecom service agreements, software licenses and subscriptions, and computer hardware and software maintenance agreements.

On September 10, 2004, Plaintiff Mark Laffitte, on behalf of himself and a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California have been misclassified under California law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt hourly employees. In addition, the Plaintiff seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. On September 18, 2006, the Court issued an order certifying a class with respect to claims for alleged unpaid overtime pay but denied certification with respect to claims relating to meal periods and rest time breaks. On August 15, 2008, the Court stayed the litigation pending the California Supreme Court’s ruling in another case unrelated to the Company titled *Harris v. Superior Court*. The ruling in such case may have a material adverse bearing on the Company’s position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On May 4, 2006, Plaintiff Don Tran, on behalf of himself and a putative class of salaried Consultants and Senior Consultants, and a sub-class of terminated salaried Consultants and Senior Consultants, filed a complaint in California Superior Court naming Protiviti Inc., a wholly owned subsidiary of the Company (“Protiviti”), as Defendant. The complaint alleges that salaried consultants based in California have been misclassified under California law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt, hourly employees. Plaintiff also seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. The complaint further seeks damages and penalties for the failure to provide meal and rest periods, and for the failure to reimburse business expenses, including, without limitation, parking and cellular telephone expenses. On February 28, 2008, the Court allowed Plaintiff to amend the complaint to name as class representatives two additional former Protiviti Consultants, who had worked for Protiviti’s “Internal Audit” business line. Plaintiff Tran had worked for Protiviti’s “Technology Risk” business line. On April 3, 2008, Plaintiffs agreed in open court to dismiss their claim for failure to reimburse business expenses. Plaintiffs filed a motion to certify the class on May 12, 2008 and Protiviti filed a motion to strike the class allegations on the same date. On December 18, 2008, the Court ruled that it would certify two classes, one

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note I—Commitments and Contingencies (Continued)

of California Consultants and another of California Senior Consultants, on the overtime pay claims. The Court also ruled that it would deny certification, without prejudice, on the claims for alleged unpaid meal and rest breaks. Further, it ruled that the Plaintiffs must submit a detailed trial plan, which the Court may use to revisit the class certification issue. The class has not yet been given notice of the action or the ruling. On February 6, 2009 the Court issued its order certifying the two classes described above on the overtime pay claims. A ruling in the unrelated *Harris* case referenced in the first paragraph of this Item 3 may have a material adverse bearing on Protiviti's position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. Protiviti believes it has meritorious defenses to the allegations, and Protiviti intends to continue to vigorously defend against the litigation.

On September 24, 2007, Plaintiff Van Williamson, on behalf of himself and a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California were not provided meal periods, paid rest periods, and accurate itemized wage statements. It seeks one hour of wages for each employee for each meal and rest period missed during the statutory liability period. It also seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged failure to provide the meal and rest periods and accurate itemized wage statements. The allegations in the complaint are substantially similar to the allegations included in the complaint filed by Mark Laffitte described above. On August 28, 2008, the Court stayed the litigation pending the California Supreme Court's decision on whether to review a case unrelated to the Company titled *Brinker Restaurant Corp. v. Superior Court*. On October 22, 2008, the California Supreme Court granted such review. The Plaintiffs and Defendants in the current action are scheduled to review the stay with the Court on February 26, 2009. A ruling in the unrelated *Harris* case referenced in the first paragraph of this Note I and/or the *Brinker* case referenced above may have a material adverse bearing on the Company's position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On September 16, 2008, Plaintiff Donald R. Green, on behalf of himself and a putative class of all temporary staffing employees in California, filed a complaint in California Superior Court naming the Company and one of its wholly owned subsidiaries as Defendants. The complaint alleges that temporary employees in California were improperly denied expense reimbursement and wages for time purportedly spent preparing for interviews, and traveling to and attending interviews with, alleged clients of Defendants. Plaintiff seeks penalties and equitable and legal remedies under Section 17200 of the California Business and Professions Code and Sections 1194 and 2802 of the California Labor Code. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to vigorously defend against the litigation.

The Company's Form 10-Q for the quarter ended September 30, 2008 and the Company's Form 10-K for the year ended December 31, 2007 contained disclosure regarding a complaint filed against the Company and three of its wholly owned subsidiaries on August 9, 2005, by Plaintiff Lizette Greene, on behalf of herself and a putative class of salaried "inside sales persons." On February 11, 2009, the Court dismissed this case.

The Company is involved in a number of other lawsuits arising in the ordinary course of business. While management does not expect any of these other matters to have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is subject to certain inherent uncertainties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note I—Commitments and Contingencies (Continued)

Legal costs associated with the resolution of claims, lawsuits and other contingencies are expensed as incurred.

Note J—Stockholders' Equity

Stock Repurchase Program. As of December 31, 2008, the Company is authorized to repurchase, from time to time, up to 9.8 million additional shares of the Company's common stock on the open market or in privately negotiated transactions, depending on market conditions. During the years ended December 31, 2008, 2007 and 2006, the Company repurchased approximately 9.4 million shares, 12.2 million shares and 7.9 million shares of common stock on the open market for a total cost of \$203 million, \$397 million and \$273 million, respectively. Additional stock repurchases were made in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of exercise price and applicable statutory withholding taxes. During the years ended December 31, 2008, 2007 and 2006, such repurchases totaled approximately 1.6 million shares, 1.6 million shares and 3.3 million shares at a cost of \$42 million, \$58 million and \$127 million, respectively. Repurchases of shares have been funded with cash generated from operations.

Repurchases of shares are applied first to the extent of retained earnings and any remaining amounts are applied to capital surplus. As a result, the Company had no retained earnings as of December 31, 2008.

The repurchased shares are held in treasury and are presented as if constructively retired. Treasury stock is accounted for using the cost method. Treasury stock activity for each of the three years ended December 31, 2008 (consisting of stock option exercises and the purchase of shares for the treasury) is presented in the Consolidated Statements of Stockholders' Equity.

Note K—Stock Plans

Under various stock plans, officers, employees, and outside directors have received or may receive grants of restricted stock, stock units, stock appreciation rights or options to purchase common stock. Grants have been made at the discretion of the Committees of the Board of Directors. Grants generally vest over four years. Shares offered under the plan are authorized but unissued shares or treasury shares.

Options currently outstanding under the plans have an exercise price equal to the fair market value of the Company's common stock at the date of grant and consist of non-statutory stock options under the Internal Revenue Code, and generally have a term of 10 years.

Recipients of restricted stock do not pay any cash consideration to the Company for the shares, have the right to vote all shares subject to such grant, and receive all dividends with respect to such shares, whether or not the shares have vested. Recipients of stock units do not pay any cash consideration for the units, do not have the right to vote, and do not receive dividends with respect to such units. Compensation expense for restricted stock and stock units is generally recognized on a straight-line basis over the vesting period, based on the stock's fair market value on the grant date. For restricted stock grants issued with performance conditions, compensation expense is recognized over each vesting tranche.

Stock-based compensation expense recognized in the Company's Financial Statements for the years ended December 31, 2008, 2007 and 2006, included compensation expense for stock options, which includes grants made prior to, but not yet vested as of December 31, 2005, as well as stock options granted subsequent to December 31, 2005.

SFAS 123(R) requires that excess tax benefits be recognized as an addition to capital surplus and that unrealized tax benefits be recognized as income tax expense unless there are excess tax benefits from previous

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note K—Stock Plans (Continued)

equity awards to which it can be offset. The Company calculates the amount of eligible excess tax benefits that are available to offset future tax shortfalls in accordance with the long-form method described in paragraph 81 of SFAS 123(R).

Under both SFAS 123 and SFAS 123(R), the Company determines the fair value of stock options using the Black-Scholes valuation model. Under SFAS 123, the Company estimated forfeitures. SFAS 123(R) requires the Company to recognize expense over the service period for options that are expected to vest and record adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates.

No stock options were granted during the years ended December 31, 2008 or 2007. During the year ended December 31, 2006, the Company granted stock options on 0.2 million shares. The assumptions utilized in the Black-Scholes valuation model for these stock options included expected dividend yield of .99%, expected volatility of 38.5%, risk-free interest rate of 4.9% and an expected life of 4.7 years.

The Company recognizes compensation expense for only the portion of restricted stock and stock units that is expected to vest, rather than record forfeitures when they occur, as previously permitted. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods. For purposes of calculating stock-based compensation expense for retirement-eligible employees, the service period is assumed to be met on the grant date or retirement-eligible date, whichever is later.

SFAS 123(R) no longer requires the recognition of deferred compensation upon grant of restricted stock. On January 1, 2006, deferred compensation related to awards issued prior to the adoption of SFAS 123(R) was reduced to zero with a corresponding decrease to capital surplus. In addition, SFAS 123(R) requires the Company to reflect the tax savings resulting from tax deductions in excess of expense reflected in its Financial Statements as a financing cash flow, which will impact the Company's future reported cash flows from operating activities.

Stock-based compensation expense related to stock options under SFAS 123(R) for the years ended December 31, 2008, 2007 and 2006, was \$5.1 million, \$9.2 million and \$17.6 million, respectively. As of December 31, 2008, 2007 and 2006, total unrecognized compensation cost, net of estimated forfeitures, was \$0.6 million, \$4.7 million and \$13.1 million, respectively, related to stock options and \$100.4 million, \$100.6 million and \$78.9 million, respectively, related to restricted stock and stock units. The unrecognized compensation cost is expected to be recognized over the next 4 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note K—Stock Plans (Continued)

The following table reflects activity under all stock plans from December 31, 2005 through December 31, 2008, and the weighted average exercise prices (in thousands, except per share amounts):

	Restricted Stock Plans		Stock Option Plans	
	Number of Shares/Units	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding, December 31, 2005	3,848	\$26.32	20,973	\$18.77
Granted	1,953	\$35.69	207	\$32.36
Exercised	—	—	(6,706)	\$15.71
Restrictions lapsed	(1,152)	\$23.57	—	—
Forfeited	(120)	\$31.78	(281)	\$25.04
Outstanding, December 31, 2006	4,529	\$30.92	14,193	\$20.29
Granted	1,688	\$37.50	—	—
Exercised	—	—	(2,748)	\$19.06
Restrictions lapsed	(1,659)	\$29.36	—	—
Forfeited	(180)	\$34.89	(169)	\$26.10
Outstanding, December 31, 2007	4,378	\$33.88	11,276	\$20.51
Granted	2,754	\$26.60	—	—
Exercised	—	—	(1,645)	\$16.71
Restrictions lapsed	(1,847)	\$31.08	—	—
Forfeited	(283)	\$32.20	(453)	\$24.61
Outstanding, December 31, 2008	<u>5,002</u>	\$31.00	<u>9,178</u>	\$20.98

The total pre-tax intrinsic value of stock options exercised during the years ended December 31, 2008, 2007 and 2006, was \$16.5 million, \$45.3 million and \$150.9 million, respectively. The total fair value of shares vested during the years ended December 31, 2008, 2007 and 2006, was \$44.0 million, \$60.9 million and \$42.8 million, respectively.

The following table summarizes information about options outstanding as of December 31, 2008 (in thousands, except number of years and per share amounts):

Range of Exercise Prices	Options Outstanding				Options Exercisable			
	Number Outstanding as of December 31, 2008	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable as of December 31, 2008	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$10.41 to \$16.11	1,956	1.82	\$14.26	\$12,831	1,956	1.80	\$14.26	\$12,831
\$16.28 to \$21.00	1,848	3.88	\$17.33	6,454	1,848	3.82	\$17.33	6,454
\$21.17 to \$22.56	2,199	2.87	\$22.13	—	2,199	2.86	\$22.13	—
\$22.70 to \$26.13	1,865	4.40	\$24.76	—	1,853	4.29	\$24.76	—
\$26.38 to \$34.75	1,310	5.11	\$28.87	—	1,182	4.77	\$28.55	—
	<u>9,178</u>	3.48	\$20.98	<u>\$19,285</u>	<u>9,038</u>	3.37	\$20.82	<u>\$19,285</u>

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the Company's closing stock price of \$20.82 as of December 31, 2008, which would have been received by the option holders had they exercised their in-the-money options as of that date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note K—Stock Plans (Continued)

At December 31, 2008, the total number of available shares to grant under the plans (consisting of either restricted stock, stock units, stock appreciation rights or options to purchase common stock) was approximately 12.4 million. Of the 9.2 million options outstanding at December 31, 2008, 9.0 million options were exercisable with a weighted average exercise price of \$20.82, and 0.2 million options were not exercisable with a weighted average exercise price of \$31.32.

Note L—Net Income Per Share

The calculation of net income per share for the three years ended December 31, 2008 is reflected in the following table (in thousands, except per share amounts):

	Years Ended December 31,		
	2008	2007	2006
Net Income	\$250,181	\$296,212	\$283,178
Basic:			
Weighted average shares	151,607	159,767	166,003
Diluted:			
Weighted average shares	151,607	159,767	166,003
Potentially dilutive shares	1,682	3,712	5,709
Diluted shares	153,289	163,479	171,712
Net Income Per Share:			
Basic	\$ 1.65	\$ 1.85	\$ 1.71
Diluted	\$ 1.63	\$ 1.81	\$ 1.65

The weighted average diluted common shares outstanding for the years ended December 31, 2008, 2007 and 2006, excludes the effect of 7.5 million, 0.3 million and 0.2 million anti-dilutive options, restricted stock and stock units, respectively. Employee stock options will have a dilutive effect under the treasury method only when the respective period's average market value of the Company's common stock exceeds the exercise proceeds. Under the treasury method, exercise proceeds include the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in capital surplus, if the options were exercised and the restricted stock and stock units had vested. The computation of potentially dilutive shares also included unvested restricted stock and stock units.

Note M—Business Segments

The Company, which aggregates its operating segments based on the nature of services, has three reportable segments: temporary and consultant staffing, permanent placement staffing, and risk consulting and internal audit services. The temporary and consultant segment provides specialized staffing in the accounting and finance, administrative and office, information technology, legal, advertising, marketing and web design fields. The permanent placement segment provides full-time personnel in the accounting, finance, administrative and office, and information technology fields. The risk consulting segment provides business and technology risk consulting and internal audit services.

The accounting policies of the segments are set forth in Note A—Summary of Significant Accounting Policies. The Company evaluates performance based on income or loss from operations before net interest income, intangible amortization expense, and income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note M—Business Segments (Continued)

The following table provides a reconciliation of revenue and operating income by reportable segment to consolidated results (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net service revenues			
Temporary and consultant staffing	\$3,626,183	\$3,649,274	\$3,133,886
Permanent placement staffing	427,499	444,090	336,250
Risk consulting and internal audit services	546,872	552,302	543,410
	<u>\$4,600,554</u>	<u>\$4,645,666</u>	<u>\$4,013,546</u>
Operating income			
Temporary and consultant staffing	\$ 348,963	\$ 372,892	\$ 314,754
Permanent placement staffing	60,482	86,109	74,757
Risk consulting and internal audit services	7,287	20,870	60,790
	416,732	479,871	450,301
Amortization of intangible assets	2,617	2,594	851
Interest income, net	(5,161)	(13,127)	(16,752)
Income before income taxes	<u>\$ 419,276</u>	<u>\$ 490,404</u>	<u>\$ 466,202</u>

The Company does not report total assets by segment. The following table represents identifiable assets by business segment (in thousands):

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Accounts receivable		
Temporary and consultant staffing	\$348,946	\$426,731
Permanent placement staffing	58,538	77,352
Risk consulting and internal audit services	111,541	117,550
	<u>\$519,025</u>	<u>\$621,633</u>

The Company operates internationally, with operations in North America, South America, Europe, Asia and Australia. The following tables represent revenues and long-lived assets by geographic location (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net service revenues			
Domestic	\$3,278,594	\$3,509,299	\$3,169,509
Foreign	1,321,960	1,136,367	844,037
	<u>\$4,600,554</u>	<u>\$4,645,666</u>	<u>\$4,013,546</u>

	<u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets, long-lived			
Domestic	\$113,474	\$121,034	\$107,661
Foreign	32,225	31,277	24,420
	<u>\$145,699</u>	<u>\$152,311</u>	<u>\$132,081</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note N—Quarterly Financial Data (Unaudited)

The following tabulation shows certain quarterly financial data for 2008 and 2007 (in thousands, except per share amounts):

<u>2008</u>	<u>Quarter</u>				<u>Year Ended December 31,</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	
Net service revenues	\$1,225,990	\$1,224,641	\$1,160,086	\$ 989,837	\$4,600,554
Gross margin	\$ 510,988	\$ 516,624	\$ 483,573	\$ 402,386	\$1,913,571
Income before income taxes	\$ 117,930	\$ 124,119	\$ 110,153	\$ 67,074	\$ 419,276
Net income	\$ 70,784	\$ 74,568	\$ 65,821	\$ 39,008	\$ 250,181
Basic net income per share	\$.46	\$.49	\$.44	\$.26	\$ 1.65
Diluted net income per share	\$.45	\$.48	\$.43	\$.26	\$ 1.63

<u>2007</u>	<u>Quarter</u>				<u>Year Ended December 31,</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	
Net service revenues	\$1,097,425	\$1,149,128	\$1,179,045	\$1,220,068	\$4,645,666
Gross margin	\$ 460,729	\$ 492,685	\$ 500,793	\$ 523,621	\$1,977,828
Income before income taxes	\$ 116,093	\$ 120,304	\$ 122,139	\$ 131,868	\$ 490,404
Net income	\$ 70,707	\$ 72,726	\$ 73,963	\$ 78,816	\$ 296,212
Basic net income per share	\$.43	\$.45	\$.47	\$.51	\$ 1.85
Diluted net income per share	\$.42	\$.44	\$.46	\$.50	\$ 1.81

Note O—Subsequent Events

On February 12, 2009, the Company announced a quarterly dividend of \$.12 per share to be paid to all shareholders of record on February 25, 2009. The dividend will be paid on March 16, 2009.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Robert Half International Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Robert Half International Inc., and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing in Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Francisco, California
February 17, 2009

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. Management, including the Company's Chairman and Chief Executive Officer and the Vice Chairman and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chairman and Chief Executive Officer and the Vice Chairman and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There have been no changes in the Company's internal controls over financial reporting identified in connection with the evaluation required by Rule 13a-15 of the Securities Exchange Act of 1934 that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, using criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of December 31, 2008.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2008, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9B. Other Information

On February 12, 2009, Robert J. Pace was elected a director of the Company by the Board of Directors. Mr. Pace was also appointed to the Nominating and Governance Committee. Since January 1, 2008, there have been no transactions between the Company and Mr. Pace of the type that are required to be disclosed pursuant to Item 404(a) of Regulation S-K adopted by the Securities and Exchange Commission.

Mr. Pace is currently an advisory director of Goldman, Sachs & Co. a full service global investment banking and securities firm. He has been with Goldman Sachs since 1986 and has held numerous senior leadership positions with that firm, including service on its Investment Banking Division's global operating committee.

PART III

Except as provided below in this Part III, the information required by Items 10 through 14 of Part III is incorporated by reference from Item 1 of this Report and from the registrant's Proxy Statement, under the captions "Nomination and Election of Directors," "Beneficial Stock Ownership," "Compensation Discussion and Analysis," "Compensation Tables," "Corporate Governance," "The Board and Committees" and "Independent Public Accountants" which Proxy Statement will be mailed to stockholders in connection with the registrant's annual meeting of stockholders which is scheduled to be held in May 2009.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights A</u>	<u>Weighted average exercise price of outstanding options, warrants and rights B</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A) C</u>
Equity compensation plans approved by security holders	5,188,656	\$20.46	12,434,604
Equity compensation plans not approved by security holders(a)	3,989,331	\$21.66	0
Total	9,177,987	\$20.98	12,434,604

(a) These plans, by their terms, expressly prohibited any grants to directors or executive officers. All such plans were terminated in May 2005, and no future grants may be made under such plans. The information in the table reflects shares issuable upon the exercise of options granted before such plans were terminated.

All future grants will be made pursuant to the Stock Incentive Plan, which was approved by stockholders in May 2005 and re-approved in May 2008. Such plan authorizes the issuance of stock options, restricted stock, stock units and stock appreciation rights to directors, executive officers and employees.

Description of Equity Plans Not Approved by Stockholders

All of the following plans were terminated in May 2005. No future grants may be made under any of these plans.

StockPlus Plan. The StockPlus Plan authorized the grant of stock options to employees other than directors and executive officers. No option could have a term of more than ten years.

Stock Option Plan for Field Employees. The Stock Option Plan for Field Employees authorized the grant of stock options to employees or consultants other than directors and executive officers. No option could have a term of more than ten years.

Restricted Stock Plan for Field Employees. The Restricted Stock Plan for Field Employees authorized the grant of shares of restricted stock to employees or consultants other than directors and executive officers. Recipients of awards did not pay for the stock, but the grants are subject to time-based vesting conditions.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The following consolidated financial statements of the Company and its subsidiaries are included in Item 8 of this report:

Consolidated statements of financial position at December 31, 2008 and 2007.

Consolidated statements of operations for the years ended December 31, 2008, 2007, and 2006.

Consolidated statements of stockholders' equity for the years ended December 31, 2008, 2007, and 2006.

Consolidated statements of cash flows for the years ended December 31, 2008, 2007, and 2006.

Notes to consolidated financial statements.

Report of independent registered public accounting firm.

Selected quarterly financial data for the years ended December 31, 2008 and 2007 are set forth in Note N—Quarterly Financial Data (Unaudited) included in Item 8 of this report.

2. Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts

Schedules I, III, IV and V have been omitted as they are not applicable.

3. Exhibits

Exhibit No.	Exhibit
3.1	Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.
3.2	By-Laws, incorporated by reference to Exhibit 3.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
4.1	Restated Certificate of Incorporation of Registrant (filed as Exhibit 3.1).
*10.1	Form of Power of Attorney and Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2002.
*10.2	Employment Agreement between the Registrant and Harold M. Messmer, Jr., incorporated by reference to (i) Exhibit 10.(c) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1985, (ii) Exhibit 10.2(b) to Registrant's Registration Statement on Form S-1 (No. 33-15171), (iii) Exhibit 10.2(c) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, (iv) Exhibit 10.2(d) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988, (v) Exhibit 28.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1990, (vi) Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, (vii) Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1993, (viii) Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, (ix) Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1995, (x) Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year

**Exhibit
No.****Exhibit**

-
- ended December 31, 1995, (xi) Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, (xii) Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, (xiii) Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, (xiv) Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, (xv) Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004, and (xvi) Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008.
- *10.3 Amended and Restated Retirement Agreement between Registrant and Harold M. Messmer Jr., incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated December 7, 2006.
- *10.4 Excise Tax Restoration Agreement as amended and restated, incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008.
- *10.5 Outside Directors' Option Plan, as amended, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2004.
- *10.6 Equity Incentive Plan, as amended, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.
- *10.7 Amended and Restated Deferred Compensation Plan, incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008.
- *10.8 Amended and Restated Severance Agreement dated as of July 29, 2008, between Registrant and Paul F. Gentzkow, incorporated by reference to Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008.
- *10.9 Agreement dated as of July 31, 1995, between Registrant and Paul F. Gentzkow, incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.
- *10.10 Severance Agreement dated as of October 1, 1991, between Registrant and Paul F. Gentzkow, incorporated by reference to Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.
- *10.11 Form of Amended and Restated Severance Agreement, incorporated by reference to Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008.
- *10.12 Form of Change in Control Severance Agreement, incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
- *10.13 Form of Indemnification Agreement for Directors of the Registrant, incorporated by reference to (i) Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1989 and (ii) Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.
- *10.14 Form of Indemnification Agreement for Executive Officers of Registrant, incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.
- *10.15 Senior Executive Retirement Plan, as amended and restated, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008.
- *10.16 Collateral Assignment of Split Dollar Insurance Agreement, incorporated by reference to (i) Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000, and (ii) Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

Exhibit No.	Exhibit
*10.17	Form of Part-Time Employment Agreement, as amended and restated, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008.
*10.18	StockPlus Plan, incorporated by reference to Exhibit 10.20 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
*10.19	Restricted Stock Plan for Field Employees, incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
*10.20	Stock Option Plan for Field Employees, incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
*10.21	Equity Incentive Plan—Form of Restricted Stock Agreement, incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 21, 2004.
*10.22	Equity Incentive Plan—Form of Stock Option Agreement, incorporated by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 21, 2004.
*10.23	Outside Directors' Option Plan—Form of Stock Option Agreement, incorporated by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 21, 2004.
*10.24	Summary of Outside Director Cash Remuneration, incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.
*10.25	Stock Incentive Plan, as amended and restated.
*10.26	Annual Performance Bonus Plan, as amended and restated, incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008.
*10.27	Stock Incentive Plan—Form of Restricted Share Agreement for Executive Officers, incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K dated May 3, 2005.
*10.28	Stock Incentive Plan—Form of Stock Option Agreement for Executive Officers, incorporated by reference to Exhibit 99.4 to Registrant's Current Report on Form 8-K dated May 3, 2005.
*10.29	Stock Incentive Plan—Form of Restricted Share Agreement for Outside Directors, incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006.
*10.30	Stock Incentive Plan—Form of Stock Option Agreement for Outside Directors, incorporated by reference to Exhibit 99.6 to Registrant's Current Report on Form 8-K dated May 3, 2005.
21.1	Subsidiaries of the Registrant.
23.1	Accountant's Consent.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Rule 1350 Certification of Chief Executive Officer.
32.2	Rule 1350 Certification of Chief Financial Officer.

* Management contract or compensatory plan.

SIGNATURES

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

ROBERT HALF INTERNATIONAL INC.
(Registrant)

Date: February 19, 2009

By: /s/ M. KEITH WADDELL
M. Keith Waddell
Vice Chairman, President and
Chief Financial Officer
(Principal Financial Officer)

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

Date: February 19, 2009

By: /s/ HAROLD M. MESSMER, JR.
Harold M. Messmer, Jr.
Chairman of the Board,
Chief Executive Officer,
and a Director
(Principal Executive Officer)

Date: February 19, 2009

By: /s/ ANDREW S. BERWICK, JR.
Andrew S. Berwick, Jr., Director

Date: February 19, 2009

By: /s/ FREDERICK P. FURTH
Frederick P. Furth, Director

Date: February 19, 2009

By: /s/ EDWARD W. GIBBONS
Edward W. Gibbons, Director

Date: February 19, 2009

By: /s/ ROBERT J. PACE
Robert J. Pace, Director

Date: February 19, 2009

By: /s/ FREDERICK A. RICHMAN
Frederick A. Richman, Director

Date: February 19, 2009

By: /s/ J. STEPHEN SCHAUB
J. Stephen Schaub, Director

Date: February 19, 2009

By: /s/ M. KEITH WADDELL
M. Keith Waddell
Vice Chairman, President,
Chief Financial Officer and a Director
(Principal Financial Officer)

Date: February 19, 2009

By: /s/ MICHAEL C. BUCKLEY
Michael C. Buckley
Executive Vice President and Treasurer
(Principal Accounting Officer)

Schedule II—Valuation and Qualifying Accounts
(in thousands)

	<u>Balance at Beginning of Period</u>	<u>Charged to Expenses</u>	<u>Deductions</u>	<u>Translation Adjustments</u>	<u>Balance at End of Period</u>
Year Ended December 31, 2006					
Allowance for doubtful accounts					
receivable	\$20,766	7,585	(4,329)	(1,527)	\$22,495
Deferred tax valuation allowance	\$11,135	1,802	(2,606)	1,206	\$11,537
Year Ended December 31, 2007					
Allowance for doubtful accounts					
receivable	\$22,495	11,359	(7,684)	2,294	\$28,464
Deferred tax valuation allowance	\$11,537	3,991	(3,256)	427	\$12,699
Year Ended December 31, 2008					
Allowance for doubtful accounts					
receivable	\$28,464	18,137	(9,435)	(2,949)	\$34,217
Deferred tax valuation allowance	\$12,699	4,846	(2,391)	(576)	\$14,578

ROBERT HALF INTERNATIONAL INC.

STOCK INCENTIVE PLAN

(As Amended and Restated Effective February 12, 2009)

SECTION 1. ESTABLISHMENT AND PURPOSE.

The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging Participants to focus on critical long-range objectives, (b) encouraging the attraction and retention of individuals with exceptional qualifications and (c) linking Participants directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares, Stock Units, Options (which may constitute incentive stock options or nonstatutory stock options) or stock appreciation rights. Subject to approval by RHI's stockholders, this Plan supersedes the Existing Equity Plans, as described herein.

SECTION 2. DEFINITIONS.

"Actual Performance Goal" shall mean the actual results for the Performance Goal for the Performance Period.

"Affiliate" shall mean any entity other than a Subsidiary, if RHI and/or one of more Subsidiaries own not less than fifty percent (50%) of such entity.

"Award" shall mean any award of an Option, a SAR, a Restricted Share or a Stock Unit under the Plan.

"Board of Directors" shall mean the Board of Directors of RHI, as constituted from time to time.

"Certification Date" means the date that the Committee makes its written certification of a Final Award.

"Change in Control" shall mean the occurrence of any of the following events:

(i) Any person or group (as such terms are defined in Section 13(d)(3) of the Exchange Act), other than an employee benefit plan sponsored by the Company or a corporation owned (directly or indirectly), by the stockholders of the Company in substantially the same proportions of the ownership of stock of the Company, shall become the beneficial owner of securities of RHI representing 20% or more, or commences a tender or exchange offer following the successful consummation of which the offerer and its affiliates would beneficially own securities representing 20% or more, of the combined voting power of then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise; provided, however, that a Change in Control shall not be deemed to include the acquisition by any such person or group of securities representing 20% or more of RHI if such party has acquired such securities not with the purpose nor with the effect of changing or influencing the control of RHI, nor in connection with or as a participant in any transaction having such purposes or effect, including, without limitation, not in connection with such party (A) making any public announcement with respect to the voting of such shares at any meeting to consider a merger, consolidation, sale of substantial assets or other business combination or extraordinary transaction involving RHI, (B) making, or in any way participating in, any "solicitation" of "proxies" (as such terms are defined or used in Regulation 14A under the Exchange Act) to vote any voting securities of RHI (including, without limitation, any such solicitation subject to Rule 14a-11 under the Exchange Act) or seeking to advise or influence any party with respect to the voting of any voting securities of RHI, directly or indirectly, relating to a merger or other business combination involving RHI or the sale or transfer of substantial assets of RHI, (C) forming, joining or in any

way participating in any “group” within the meaning of Section 13(d)(3) of the Exchange Act with respect to any voting securities of RHI, directly or indirectly, relating to a merger or other business combination involving RHI or the sale or transfer of any substantial assets of RHI, or (D) otherwise acting, alone or in concert with others, to seek control of RHI or to seek to control or influence the management or policies of RHI.

(ii) The stockholders of RHI shall approve any plan or proposal for the liquidation or dissolution of RHI.

(iii) A change in the composition of the Board of Directors occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. “Incumbent Directors” shall mean directors who either (A) are directors of RHI as of the date hereof, or (B) are elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to RHI). As a result of or in connection with any cash tender offer, merger, or other business combination, sale of assets or contested election, or combination of the foregoing, the persons who were directors of RHI just prior to such event shall cease within one year to constitute a majority of the Board of Directors.

(iv) RHI’s stockholders approve a definitive agreement providing for a transaction in which RHI will cease to be an independent publicly owned corporation.

(v) The stockholders of RHI approve a definitive agreement (A) to merge or consolidate RHI with or into another corporation in which the holders of the Stock immediately before such merger or reorganization will not, immediately following such merger or reorganization, hold as a group on a fully-diluted basis both the ability to elect at least a majority of the directors of the surviving corporation and at least a majority in value of the surviving corporation’s outstanding equity securities, or (B) to sell or otherwise dispose of all or substantially all of the assets of RHI.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Committee” shall mean a committee of one or more members of the Board of Directors appointed by the Board of Directors (or, as the context permits, a subcommittee of one or more members of the Board appointed by the Committee) to administer the Plan in accordance with the provisions hereof.

“Company” shall mean Robert Half International Inc., a Delaware corporation, and its Subsidiaries.

“Consultant” shall mean a consultant or advisor who provides bona fide services to the Company or an Affiliate as an independent contractor.

“Earnings Per Share” means diluted Earnings Per Share, determined in accordance with generally accepted accounting principles. For purposes of the foregoing sentence, earnings shall mean income before extraordinary items, discontinued operations and cumulative effect of changes in accounting principles and after full accrual for the bonuses paid under this Plan. Earnings shall also be determined without regard to the effects of mergers, acquisitions, dispositions and material restructuring of the business that occur after the grant date.

“Eligible Participant” shall mean (i) any individual who is a common-law employee of the Company or an Affiliate; (ii) a member of the Board of Directors; (iii) a member of the board of directors of a Subsidiary or an Affiliate; or (iv) a Consultant.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Executive Officer” shall mean an officer as defined in Rule 16a-1(f) under the Exchange Act, or any successor provision.

“Exercise Price” shall mean, in the case of an Option, the amount for which one Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Award. “Exercise Price,” in the case of a SAR, shall mean an amount, as specified in the applicable SAR Award, which is subtracted from the Fair Market Value of a Share in determining the amount payable upon exercise of such SAR.

“Existing Equity Plans” shall mean RHI’s Equity Incentive Plan, StockPlus Plan, Stock Option Plan for Field Employees, Restricted Stock Plan for Field Employees, and Outside Directors’ Option Plan.

“Fair Market Value” shall mean the closing price on the New York Stock Exchange on the date the value is to be determined as reported in THE WALL STREET JOURNAL (Western Edition). If there are no trades on such date, the closing price on the latest preceding business day upon which trades occurred shall be the Fair Market Value.

“Final Award” shall mean the product of (i) the Multiplier and (ii) the Original Award.

“ISO” shall mean an employee incentive stock option described in Code Section 422.

“Misconduct Termination” shall mean a termination by the Company of a Participant’s Service by reason of the Participant’s willful dishonesty towards, fraud upon, or deliberate injury or attempted injury to the Company, or by reason of the Participant’s willful material breach of any employment agreement with the Company, which has resulted in material injury to the Company; provided, however, that a Participant’s Service shall not be deemed to have terminated in a Misconduct Termination if such termination took place as a result of any act or omission believed by the Participant in good faith to have been in the interest of the Company.

“Multiplier” shall mean (a) the sum of 0.1 and the Performance Goal Ratio, if the Performance Goal Ratio is greater than or equal to 0 and less than 0.9, (b) 1, if the Performance Goal Ratio is greater than or equal to 0.9, or (c) 0, if the Performance Goal Ratio is less than 0.

“Nonstatutory Option” or “NSO” shall mean an employee stock option that is not an ISO.

“Option” shall mean an ISO or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

“Optionee” shall mean an individual or estate who holds an Option or SAR.

“Original Award” shall mean the number of shares initially granted pursuant to an Award made subject to a Performance Condition.

“Other Agreement” shall mean any written agreement, whether entered into prior to or subsequent to, the adoption of this plan or the making of an Award under this plan, between Participant and the Company.

“Outside Director” shall mean a member of the Board of Directors who is not a common-law employee of the Company.

“Outside Director Retirement” shall mean termination of an Outside Director’s Service after the later to occur of (i) the 7th anniversary of the Outside Director’s first day of service with RHI as a member of the Board of Directors or (ii) the Outside Director’s 62nd birthday.

“Participant” shall mean an individual or estate who holds an Award.

“Performance Condition” shall mean a performance condition established with respect to an Award in accordance with the provisions hereof.

“Performance Goal” shall mean one or more objective measurable performance factors as determined by the Committee with respect to each Performance Period based upon one or more factors, including, but not limited to: (i) operating income; (ii) earnings; (iii) cash flow; (iv) sales or revenue; (v) expenses; (vi) profit margin; (vii) working capital; (viii) return on equity or assets; (ix) Earnings Per Share; (x) stock price; (xi) price/earnings ratio; (xii) debt or debt-to-equity; (xiii) writeoffs; (xiv) cash; (xv) assets; and/or (xvi) liquidity, each with respect to the Company and/or one or more of its operating units. Awards to Participants who are not subject to the limitations of Code Section 162(m) may be determined without regard to Performance Goals and may involve Committee discretion.

“Performance Goal Ratio” shall mean the result obtained by dividing Actual Performance Goal by Target Performance Goal.

“Performance Period” shall mean the period of service to which the Performance Condition relates.

“Plan” shall mean this Stock Incentive Plan of Robert Half International Inc., as amended from time to time.

“Protiviti Participant” shall mean a Participant who is an employee of Protiviti Inc. (a Subsidiary) or its Subsidiaries.

“Protiviti Retirement” shall mean any voluntary termination of employment with the Company and its subsidiaries by the Protiviti Participant on or after the later to occur of: (a) the first day coinciding with or after the Protiviti Participant’s 56th birthday, (b) the Protiviti Participant’s completion of at least 25 years of cumulative service to the Company, Arthur Andersen LLP, Deloitte Touche Tohmatsu, PricewaterhouseCoopers, KPMG International, Ernst & Young International, and/or any of their respective affiliates, or any other industry-related service acceptable to the Committee, and (c) four and one-half years after the date that the Protiviti Participant was first employed by Protiviti Inc.

“Purchase Price” shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Committee.

“Restricted Share” shall mean a Share awarded under the Plan.

“Restricted Share Award” shall mean the agreement between RHI and the recipient of a Restricted Share, or the notice to the recipient, which contains the terms, conditions and restrictions pertaining to such Restricted Shares.

“RHI” shall mean Robert Half International Inc., a Delaware corporation.

“SAR” shall mean a stock appreciation right granted under the Plan.

“SAR Award” shall mean the agreement between RHI and an Optionee, or the notice to the Optionee, which contains the terms, conditions and restrictions pertaining to his or her SAR.

“Section 16 Participant” shall mean a Participant who is subject to Section 16 of the Exchange Act with respect to transactions in RHI securities.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Service” shall mean service as an Eligible Participant.

“Share” shall mean one share of Stock, as adjusted in accordance with the adjustment provisions of the Plan (if applicable).

“Staffing/Headquarters Participant” shall mean a Participant other than a Protiviti Participant.

“Staffing/Headquarters Retirement” shall mean any voluntary termination by a Staffing/Headquarters Participant of employment with the Company on or after the later to occur of (a) the Staffing/Headquarters Participant’s 55th birthday, or (b) the 20th anniversary of the Staffing/Headquarters Participant’s first day of service with the Company as a full-time employee.

“Stock” shall mean the Common Stock of RHI.

“Stock Option Award” shall mean the agreement between RHI and an Optionee, or the notice to the Optionee, which contains the terms, conditions and restrictions pertaining to his Option.

“Stock Unit” shall mean a bookkeeping entry representing the equivalent of one Share, as awarded under the Plan.

“Stock Unit Award” shall mean the agreement between RHI and the recipient of a Stock Unit, or the notice to the recipient, which contains the terms, conditions and restrictions pertaining to such Stock Unit.

“Subsidiary” shall mean any corporation, if RHI and/or one or more other Subsidiaries own not less than fifty percent (50%) of the total combined voting power of all classes of outstanding stock of such corporation. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

“Target Performance Goal” shall mean the Performance Goal set with respect to an Award made subject to a Performance Condition.

“Total and Permanent Disability” shall mean a (i) a physical or mental condition which, in the judgment of the Committee based on competent medical evidence satisfactory to the Committee (including, if required by the Committee, medical evidence obtained by an examination conducted by a physician selected by the Committee), renders the Participant unable to engage in any substantial gainful activity for the Company and which condition is likely to result in death or to be of long, continued and indefinite duration, or (ii) a judicial declaration of incompetence.

SECTION 3. ADMINISTRATION.

(a) Committee Procedures. One or more Committees appointed by the Board of Directors shall administer the Plan. The Board of Directors shall designate one of the members of the Committee as chairperson. Unless the Board of Directors provides otherwise, the Compensation Committee shall be the Committee. The Board of Directors may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

The Committee shall have membership composition which enables (i) Awards to qualify for exemption under Rule 16b-3 with respect to persons who are subject to Section 16 of the Exchange Act and (ii) Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code to so qualify. Only the Compensation Committee may make Award grants and administer the Plan with respect to Section 16 Participants.

The Compensation Committee may also appoint one or more separate subcommittees composed of one or more directors of RHI who need not qualify under either Rule 16b-3 or Section 162(m) of the Code, who may administer the Plan with respect to persons who are not subject to Section 16 of the Exchange Act and/or Awards that are not intended to qualify as “performance-based compensation” under Section 162(m) of the Code.

(b) Committee Responsibilities. Subject to the provisions of the Plan, the Committee shall have full authority and discretion to take the following actions:

- (i) To interpret the Plan and to apply its provisions;
- (ii) To adopt, amend or rescind rules, procedures and forms relating to the Plan;
- (iii) To authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;
- (iv) To determine when Awards are to be granted under the Plan;
- (v) To select the Eligible Participants who are to receive Awards under the Plan;
- (vi) To determine the number of Shares to be made subject to each Award;
- (vii) To prescribe the terms and conditions of each Award, including (without limitation) the Exercise Price or Purchase Price, the vesting of the Award (including accelerating the vesting of Awards) and to specify the provisions of the agreement relating to such Award;
- (viii) To prescribe the terms and conditions of each Option, including (without limitation) the Exercise Price, the vesting or duration of the Option (including accelerating the vesting of the Option), to determine whether such Option is to be classified as an ISO or as a Nonstatutory Option, and to specify the provisions of the Stock Option Award relating to such Option;
- (ix) To amend any outstanding Restricted Share Award, Stock Option, Award, SAR Award or Stock Unit Award subject to applicable legal restrictions and to the consent of the Participant who entered into such agreement;
- (x) To prescribe the consideration for the grant of each Award under the Plan and to determine the sufficiency of such consideration;
- (xi) To determine whether Awards under the Plan will be granted in replacement of other grants under an incentive or other compensation plan of an acquired business;
- (xii) To correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Restricted Share Award, Stock Option Award, SAR Award, or Stock Unit Award;
- (xiii) To take any other actions deemed necessary or advisable for the administration of the Plan;
- (xiv) To determine, at the time of granting an Award or thereafter, that such Award shall vest as to all or part of the Shares subject to such Award in the event of a Change in Control.
- (xv) To accelerate the vesting, or extend the post-termination exercise term, of Awards at any time and under such terms and conditions as it deems appropriate.

In addition, without amending the Plan, the Committee may grant awards under the Plan to eligible employees or consultants who are foreign nationals on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries in which the Company operates or has employees.

Subject to the requirements of applicable law, the Board of Directors may authorize one or more officers of RHI to grant Awards and the Committee may designate persons other than members of the Committee to carry out its responsibilities, and the Committee may prescribe such conditions and limitations as it may deem appropriate, except that the Board of Directors or the Committee may not delegate its authority with regard to Awards to persons subject to Section 16 of the Exchange Act or Awards intended to qualify as “performance-based compensation” under Section 162(m) of the Code. All decisions, interpretations and other actions of the

Committee shall be final and binding on all Participants, and all persons deriving their rights from a Participant. No member of the Committee shall be liable for any action that he has taken or has failed to take in good faith with respect to the Plan or any Award.

Except arising from any action taken, or failure to act, in bad faith, each member of the Committee, or of the Board of Directors, shall be indemnified and held harmless by RHI against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any agreement under the Plan, and (ii) from any and all amounts paid by him or her, with RHI's prior approval, in settlement thereof or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall have given RHI a reasonable opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under RHI's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that RHI may have to indemnify them or hold them harmless.

SECTION 4. ELIGIBILITY.

(a) General Rule. Only Eligible Participants may be granted Restricted Shares, Stock Units, NSOs or SARs. In addition, only individuals who are employed as common-law employees by the Company may be granted ISOs.

(b) Limitation on Awards. In any fiscal year of RHI, no individual shall receive Options, SARs, Restricted Shares and/or Stock Units covering in excess of 2,000,000 Shares in the aggregate; provided, however, that Outside Directors may only receive Awards covering up to 15,000 Shares in the aggregate per Outside Director in any fiscal year of RHI. The limitations under this Subsection shall be subject to adjustment pursuant to the adjustment provisions of the Plan.

SECTION 5. STOCK SUBJECT TO PLAN.

(a) Basic Limitation. Shares offered under the Plan shall be authorized but unissued Shares or treasury Shares. The maximum aggregate number of Options, SARs, Stock Units and Restricted Shares awarded under the Plan shall not exceed 20,000,000 Shares. This limit shall be subject to the provisions of the next Subsection and shall be subject to adjustment pursuant to the adjustment provisions of the Plan. No fractional Shares shall be issued under the Plan.

(b) Additional Shares. If Restricted Shares are forfeited, then such Shares shall again become available for Awards under the Plan. If Stock Units, Options or SARs are forfeited or terminate for any reason before being exercised, then the corresponding Shares shall again become available for Awards under the Plan. If Stock Units are settled, then only the number of Shares (if any) actually issued in settlement of such Stock Units shall reduce the number of Shares available under the Plan and the balance shall again become available for Awards under the Plan. If SARs are exercised, then only the number of Shares (if any) actually issued in settlement of such SARs shall reduce the number of Shares available under the Plan and the balance shall again become available for Awards under the Plan.

(c) Dividend Equivalents. Any dividend equivalents paid or credited under the Plan shall not be applied against the number of Restricted Shares, Stock Units, Options or SARs available for Awards, whether or not such dividend equivalents are converted into Stock Units.

SECTION 6. RESTRICTED SHARES.

(a) Restricted Share Award. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Share Award between the recipient and RHI. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan, including those specified in any Other Agreement. The provisions of the various Restricted Share Awards entered into under the Plan need not be identical.

(b) Payment for Awards. Subject to the following sentence and applicable law, Restricted Shares may be sold or awarded under the Plan for such consideration as the Committee may determine, including (without limitation) cash, cash equivalents, past services and future services. To the extent that an Award consists of newly issued Restricted Shares, the Award recipient shall furnish consideration with a value not less than the par value of such Restricted Shares in the form of cash, cash equivalents, or past services rendered to the Company, as the Committee may determine. To the extent an Award of Restricted Shares consists solely of treasury shares, the Award may be made without consideration furnished by the recipient.

(c) Vesting. Each Award of Restricted Shares shall be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Share Award or as specified in any Other Agreement. Unless the Restricted Share Award or an Other Agreement provides otherwise, each grant of Restricted Shares shall vest with respect to twenty-five percent (25%) of the Shares covered by the grant on each of the first through fourth anniversaries of the date of grant, provided that the Participant's Service has not terminated on the applicable vesting date. A Restricted Share Award may provide for accelerated vesting in the event of the Participant's Protiviti Retirement, Staffing/Headquarters Retirement, a Change in Control, or, if specified at the time of grant, termination of employment, including as provided in any Other Agreement. To the extent that an Award of Restricted Shares has not vested prior to, or concurrently with, termination of a Participant's Service, such Award shall immediately terminate.

(d) Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as RHI's other stockholders except as provided in Section 12 hereof.

(e) Assignment or Transfer of Restricted Shares. Except as provided herein, or in a Restricted Share Award, or as required by applicable law, Restricted Shares shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Subsection shall be void. However, this Subsection shall not preclude a Participant from designating a beneficiary who will receive any outstanding Restricted Shares in the event of the Participant's death, nor shall it preclude a transfer of Restricted Shares by will or by the laws of descent and distribution.

SECTION 7. TERMS AND CONDITIONS OF OPTIONS.

(a) Stock Option Award. Each grant of an Option under the Plan shall be evidenced by a Stock Option Award between the Optionee and RHI. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan, including those specified in any Other Agreement. The Stock Option Award shall specify whether the Option is an ISO or an NSO. The provisions of the various Stock Option Awards entered into under the Plan need not be identical. A Stock Option Award may not provide that a new Option will be granted automatically to the Optionee when he or she exercises a prior Option and pays the Exercise Price.

(b) Number of Shares. Each Stock Option Award shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with the adjustment provisions of the Plan. The maximum aggregate number of ISOs awarded under the Plan shall not exceed the number of Shares subject to the Plan under Section 5(a). The limitation of this Subsection shall be subject to adjustment pursuant to the adjustment provisions of the Plan.

(c) Exercise Price. Each Stock Option Award shall specify the Exercise Price. The Exercise Price of an Option shall not be less than 100 percent (100%) of the Fair Market Value of a Share on the date of grant. Subject to the foregoing in this Subsection, the Exercise Price under any Option shall be determined by the Committee at its sole discretion. The Exercise Price shall be payable in one of the forms permitted under the Plan.

(d) Exercisability and Term. Unless the Stock Option Award or an Other Agreement provides otherwise, each Option shall become exercisable with respect to twenty-five percent (25%) of the Shares covered by such Option on each of the first through fourth anniversaries of the date of grant, provided that the Participant's Service has not terminated on the applicable vesting date. The term of an Option shall be ten (10) years from the date of grant unless the Stock Option Award provides for a shorter term. A Stock Option Award may provide for accelerated vesting in the event of the Optionee's Protiviti Retirement, Staffing/Headquarters Retirement, a Change in Control, or, if specified at the time of grant, termination of employment, including as provided in any Other Agreement, and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service, subject to the provisions of any Other Agreement. Options may be awarded in combination with SARs, and such an Award may provide that the Options will not be exercisable unless the related SARs are forfeited. Subject to the foregoing in this Subsection, the Committee at its sole discretion shall determine when all or any installment of an Option is to become exercisable and when an Option is to expire.

(e) Nontransferability. Except as set forth in a Stock Option Award, or as provided by an Other Agreement, with respect to an NSO, during an Optionee's lifetime, his Option(s) shall be exercisable only by him and shall not be transferable, and in the event of an Optionee's death, his Option(s) shall not be transferable other than by will or by the laws of descent and distribution.

(f) Exercise of Options Upon Termination of Service. Each Stock Option Award shall set forth the extent to which the Optionee shall have the right to exercise the Option following termination of the Optionee's Service, and the right to exercise the Option of any executors or administrators of the Optionee's estate or any person who has acquired such Option(s) directly from the Optionee by bequest or inheritance. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service. Unless the Stock Option Award or an Other Agreement provides otherwise, Options which are unvested at the time of an Optionee's termination of Service shall expire upon such termination, and any vested Options shall remain outstanding and exercisable until the earlier of 90 days following such termination and the expiration of the Option's term. Notwithstanding the foregoing, if exercise of an Option during the 90-day period described in the previous sentence would subject the Optionee to liability under Section 16 of the Exchange Act by reason of transactions by the Optionee prior to the Optionee's termination of service ("Prior Transaction"), such Option shall be exercisable until the earliest of (a) its normal termination date and (b) the 30th day after the first date upon which the Optionee would not be subject to Section 16 liability by reason of the Prior Transaction. Notwithstanding the foregoing, in the event of an Optionee's Misconduct Termination, effective as of the date notice of such termination is given by the Committee to the Optionee, all of the Optionee's vested and unvested Options shall automatically terminate and lapse, unless the Committee shall determine otherwise.

(g) Modification, Extension and Renewal of Options. Within the limitations of the Plan, the Committee may modify, extend or renew outstanding Options. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair his rights or increase his obligations under such Option. Options may not be repriced without the approval of RHI's stockholders.

SECTION 8. PAYMENT FOR OPTION SHARES.

(a) General Rule. The entire Exercise Price of Shares issued under the Plan shall be payable in lawful money of the United States of America, as permitted under this Section. Payment may be made by any combination of the methods described in this Section.

(b) Cash. Payment may be made by cash, check, wire transfer or similar means, subject to the requirements of applicable law.

(c) Surrender of Stock. Payment may be made all or in part by surrendering, or attesting to the ownership of, Shares which have been owned by the Optionee or his representative for such period of time required to avoid RHI's recognition of additional compensation expense with respect to the Option for financial reporting purposes as a result of the surrender or attestation of such previously owned shares. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan.

(d) Cashless Exercise. To the extent permitted by applicable law, payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to RHI in payment of the aggregate Exercise Price and applicable tax withholding.

(e) Other Forms of Payment. To the extent that a Stock Option Award so provides, payment may be made in any other form that is consistent with applicable laws, regulations and rules.

Notwithstanding anything to the contrary in this Section or in any agreement under the Plan, the Committee may disallow the use of any type of payment that the Committee determines, in its sole discretion, would result in adverse accounting or legal consequences to the Company or Affiliate.

SECTION 9. STOCK APPRECIATION RIGHTS.

(a) SAR Award. Each grant of a SAR under the Plan shall be evidenced by a SAR Award between the Optionee and RHI. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan, including those specified in any other Agreement. The provisions of the various SAR Awards entered into under the Plan need not be identical. A SAR Award may not provide that a new SAR will be granted automatically to the holder thereof when he or she exercises a prior SAR.

(b) Number of Shares. Each SAR Award shall specify the number of Shares to which the SAR pertains and shall provide for the adjustment of such number in accordance with the adjustment provisions of the Plan.

(c) Exercise Price. Each SAR Award shall specify the Exercise Price, which may not be less than 100 percent (100%) of the Fair Market Value of a Share on the date of grant. A SAR Award may specify an Exercise Price that varies in accordance with a predetermined formula while the SAR is outstanding.

(d) Exercisability and Term. Unless the SAR Award or an Other Agreement provides otherwise, each SAR shall become exercisable with respect to twenty-five percent (25%) of the Shares covered by such SAR on each of the first through fourth anniversaries of the date of grant, provided that the Participant's Service has not terminated on the applicable vesting date. The term of the SAR shall be ten (10) years from the date of grant unless the SAR Award provides for a shorter term. A SAR Award may provide for accelerated exercisability in the event of the Optionee's Protiviti Retirement, Staffing/Headquarters Retirement, a Change in Control, or, if specified at the time of grant, termination of employment, including as provided in any Other Agreement, and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service, subject to the provisions of any Other Agreement. SARs may be awarded in combination with Options, and such an Award may provide that the SARs will not be exercisable unless the related Options are forfeited. A SAR may be included in an ISO only at the time of grant but may be included in an NSO at the time of grant or thereafter. A SAR granted under the Plan may provide that it will be exercisable only in the event of a Change in Control.

(e) Exercise of SARs. The SAR Award may provide that, upon exercise of a SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from RHI (a) Shares, (b) cash or (c) a combination of Shares and cash. Unless otherwise provided in the SAR Award or an Other Agreement,

upon exercise of a SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive Shares from RHI. The amount of cash and/or the Fair Market Value of Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Shares subject to the SARs exceeds the Exercise Price. Unless the SAR Award or an Other Agreement provides otherwise, SARs which are unvested at the time of an Optionee's termination of Service shall expire upon such termination, and any vested SARs which have not been exercised shall remain outstanding and exercisable until the earlier of 90 days following such termination and the expiration of the SAR's term. Notwithstanding the foregoing, if exercise of a SAR during the 90-day period described in the previous sentence would subject the Participant to liability under Section 16 of the Exchange Act by reason of transactions by the Participant prior to the Participant's termination of service, such SAR shall be exercisable until the earliest of (a) its normal termination date and (b) the 30th day after the first date upon which the Participant would not be subject to Section 16 liability by reason of the prior transactions. Notwithstanding the foregoing, in the event of an Optionee's Misconduct Termination, effective as of the date notice of such termination is given by the Committee to the Optionee, all of the Optionee's vested and unvested SARs shall automatically terminate and lapse, unless the Committee shall determine otherwise.

(f) Modification or Assumption of SARs. Within the limitations of the Plan, the Committee may modify, extend or renew outstanding SARs. The foregoing notwithstanding, no modification of a SAR shall, without the consent of the Optionee, impair his rights or increase his obligations under such SAR. SARs may not be repriced without the approval of RHI's stockholders.

SECTION 10. STOCK UNITS.

(a) Stock Unit Award. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Award between the recipient and RHI. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan, including those specified in any Other Agreement. The provisions of the various Stock Unit Awards entered into under the Plan need not be identical.

(b) Payment for Awards. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

(c) Vesting Conditions. Each Award of Stock Units shall be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Award or as specified in any Other Agreement. Unless the Stock Unit Award or an Other Agreement provides otherwise, each grant of Stock Units shall become exercisable with respect to twenty-five percent (25%) of the Shares covered by the grant on each of the first through fourth anniversaries of the date of grant, provided that the Participant's Service has not terminated on the applicable vesting date. A Stock Unit Award may provide for accelerated vesting in the event of the Participant's Protiviti Retirement, Staffing/Headquarters Retirement, a Change in Control, or, if specified at the time of grant, termination of employment, including as provided in any Other Agreement. To the extent that an Award of Stock Units has not vested prior to, or concurrently with, termination of a Participant's Service, such Award shall immediately terminate.

(d) Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Shares, or in a combination of both. Prior to distribution, any dividend equivalents which are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

(e) Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Shares or (c) any combination of both, as determined by the Committee. Methods of converting

Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Shares over a series of trading days. Vested Stock Units may be settled in a lump sum or in installments. The distribution may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred, in accordance with applicable law, to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to the adjustment provisions of the Plan.

(f) Death of Recipient. Any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Units Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with RHI. A beneficiary designation may be changed by filing the prescribed form with RHI at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

(g) Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of RHI. Stock Units represent an unfunded and unsecured obligation of RHI, subject to the terms and conditions of the applicable Stock Unit Award.

(h) Assignment or Transfer of Stock Units. Except as provided herein, or in a Stock Unit Award, or as required by applicable law, Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Subsection shall be void. However, this Subsection shall not preclude a Participant from designating a beneficiary who will receive any outstanding Stock Units in the event of the Participant's death, nor shall it preclude a transfer of Stock Units by will or by the laws of descent and distribution.

SECTION 11. NO RIGHTS AS A STOCKHOLDER

A Participant shall have no rights as a stockholder with respect to any Award until the date of the issuance of a stock certificate for any Shares covered by such award. No adjustments shall be made, except as provided in the adjustment provisions of the Plan.

SECTION 12. PERFORMANCE CONDITIONS.

(a) Any Award to an Executive Officer shall be made subject to a Performance Condition with respect to which the Performance Goal shall be Earnings Per Share during the Performance Period in addition to any vesting requirements imposed upon such grant.

(b) Awards to persons other than Executive Officers may, but need not, be made subject to a Performance Condition utilizing any Performance Goal in addition to any vesting requirements imposed upon such grant. The determination as to whether any such grant is subject to a Performance Condition shall be made on or prior to the date of grant.

(c) The Performance Condition shall operate as specified in this Section.

(d) Except in the case of Awards not intended to qualify as "performance-based compensation" under Code Section 162(m), if an Award is made subject to a Performance Condition, the Committee shall be required to establish the Performance Period and Target Performance Goal for such award no later than the time permitted by Section 162(m) of the Internal Revenue Code.

(e) After the public release by RHI of its results for the last fiscal quarter of the Performance Period, the Chief Financial Officer shall, with respect to each Award made subject to a Performance Condition, (a) calculate

the Actual Performance Goal, (b) determine the Multiplier, (c) calculate the Final Award, and (d) deliver such calculation to the Committee.

(f) The Committee shall review the information submitted by the Chief Financial Officer and certify, in writing, each Final Award.

(g) To the extent that a Final Award is less than the Original Award, the difference shall be forfeited by the Participant. The Final Award shall bear the same vesting schedule as the Original Award, and on each vesting date the percentage of the Final Award that vests shall be the same as the percentage of the Original Award that would have vested had there been no forfeiture as a result of the Performance Condition.

(h) If all or a portion of an Award made subject to a Performance Condition shall vest prior to the Certification Date by reason of death, Total and Permanent Disability or, if applicable, a Change in Control, then the Performance Condition shall be cancelled and none of such Award shall be subject to reduction or forfeiture as provided by the Performance Condition. Such Award shall be treated in accordance with the terms of this plan relating to vested shares.

(i) If all or a portion of an Award made subject to a Performance Condition shall vest prior to the Certification Date for any reason other than death, Total and Permanent Disability or a Change in Control, no portion of the Award shall be released to or exercised by the Participant until after the Certification Date. No such vesting prior to the Certification Date shall in any way be deemed a satisfaction, waiver or cancellation of the Performance Condition, and such Award shall remain subject to reduction and forfeiture as provided by the Performance Condition.

(j) Once established, a Performance Condition for an Executive Officer may not be waived or cancelled by the Committee.

(k) Dividends may not be paid with respect to any Restricted Share Award that is subject to a Performance Condition until the Final Award has been determined. Any dividends declared on a Restricted Share Award prior to the determination of the Final Award shall be accrued. Upon determination of the Final Award, such accrued dividends shall be paid; provided, however, that if the Final Award is less than the Original Award, only an amount equal to the product of (1) the dividends accrued prior to the determination of the Final Award and (2) the Multiplier shall be paid. Any accrued dividends prior to the determination of the Final Award in excess of such amount shall be forfeited. Subsequent to the determination of the Final Award, dividends shall be paid as normal on such Final Award at the same time and to the same extent as dividends are paid on other Shares.

SECTION 13. TERMINATION OF SERVICE; LEAVES OF ABSENCE.

Subject to the last sentence of this Section, a Participant's Service shall terminate when such person ceases to be an Eligible Participant as determined in the sole discretion of the Committee. A Participant's Service does not terminate if he or she is a common-law employee and goes on a bona fide leave of absence of less than six (6) consecutive months that was approved by the Company in writing and the terms of the leave provide for continued service crediting, or when continued service crediting is required by applicable law. However, for purposes of determining whether an Option is entitled to ISO status, a common-law employee's Service will be treated as terminating ninety (90) days after such employee went on leave, unless such employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends, unless such employee immediately returns to active work. The Committee determines which leaves count toward Service, and when Service terminates for all purposes under the Plan. Notwithstanding the foregoing, an Outside Director's Service shall terminate when he or she is neither a member of the Board of Directors or a consultant to RHI.

SECTION 14. DEATH; TOTAL AND PERMANENT DISABILITY.

All Awards granted to any Participant shall vest upon such Participant's death or termination of the Participant's Service due to Total and Permanent Disability.

SECTION 15. PERSONS SUBJECT TO SECTION 16 OF THE EXCHANGE ACT.

Any Award held by an individual who is a Section 16 Participant at either or both of (a) the grant date of such Award or (b) the effective date of the Change in Control, shall vest upon the effective date of such Change in Control. Any Option or SAR Award held by an individual who is a Section 16 Participant at either or both of (a) the grant date of such Award or (b) the effective date of such individual's Outside Director Retirement, Protiviti Retirement or Staffing/Headquarters Retirement, as the case may be, shall vest upon the effective date of such retirement. Any Options or SARs held by a Section 16 Participant which vest by reason of the provisions of this Section or by reason of death or Total and Permanent Disability shall remain outstanding until the earlier of its exercise or its original term.

SECTION 16. ADJUSTMENT OF SHARES.

(a) Adjustments. In the event of a subdivision of the outstanding Stock, or stock split or reverse stock split, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, reorganization, merger, liquidation, a spin-off, exchange of shares or a similar occurrence (as determined by the Committee in its sole discretion), the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of:

- (i) The number of Shares, Options, SARs, Restricted Shares and Stock Units available for future Awards under the Plan;
- (ii) The per person per fiscal year limitations on Awards under the Plan and the maximum aggregate number of ISOs that may be awarded under the Plan;
- (iii) The number of Shares covered by each outstanding Award;
- (iv) The Exercise Price under each outstanding Option and SAR; or
- (v) The number of Stock Units included in any prior Award which has not yet been settled.

Except as provided in this Section, a Participant shall have no rights by reason of any issue by RHI of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any dividend or any other increase or decrease in the number of shares of stock of any class.

(b) Dissolution or Liquidation. To the extent not previously exercised or settled, Options, SARs and Stock Units shall terminate immediately prior to the dissolution or liquidation of RHI.

(c) Reorganizations. In the event that RHI is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement may provide for:

- (i) The continuation of the outstanding Awards by RHI, if RHI is a surviving corporation;
- (ii) The assumption of the outstanding Awards by the surviving corporation or its parent or subsidiary;
- (iii) The substitution by the surviving corporation or its parent or subsidiary of its own awards for the outstanding Awards;
- (iv) Full exercisability or vesting and accelerated expiration of the outstanding Awards; or

(v) Settlement of the full value of the outstanding Awards in cash or cash equivalents followed by cancellation of such Awards.

(d) Reservation of Rights. Except as provided in this Section, a Participant shall have no rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend or any other increase or decrease in the number of shares of stock of any class. Any issue by RHI of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to an Award or the Exercise Price. The grant of an Award pursuant to the Plan shall not affect in any way the right or power of RHI to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 17. AWARDS UNDER OTHER PLANS.

RHI may grant awards under other plans or programs. Such awards may be settled in the form of Shares issued under this Plan. Such Shares shall be treated for all purposes under the Plan like Shares issued in settlement of Stock Units and shall, when issued, reduce the number of Shares available under the Plan.

SECTION 18. LEGAL AND REGULATORY REQUIREMENTS.

No Option may be exercised and no Stock may be issued pursuant to an Option or transferred pursuant to a Restricted Share award unless the Committee shall determine that such exercise, issuance or transfer complies with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act, applicable state securities laws, and rules and regulations promulgated under each of the foregoing, and the requirements of any stock exchange upon which the Stock may then be listed or quotation system upon which the Stock may be quoted, and shall be further subject to the approval of counsel for RHI with respect to such compliance. If the Stock subject to this Plan is not registered under the Securities Act and under applicable state securities laws, the Committee may require that the Participant deliver to RHI such documents as counsel for RHI may determine are necessary or advisable in order to substantiate compliance with applicable securities laws and the rules and regulations promulgated thereunder. In no event shall RHI deliver, or be deemed obligated to deliver, cash in lieu of any Share by reason of any failure to satisfy the foregoing provisions.

So long as any restrictions or obligations imposed pursuant to this Plan shall apply to a share, each certificate evidencing such share shall bear an appropriate legend referring to the terms, conditions and restrictions. In addition, RHI may instruct its transfer agent that shares of Stock evidenced by such certificates may not be transferred without the written consent of RHI. Any attempt to dispose of such shares of Stock in contravention of such terms, conditions and restrictions shall be invalid. Certificates representing shares that have not vested or with respect to which minimum withholding taxes have not been paid will be held in custody by RHI or such bank or other institution designated by the Committee.

SECTION 19. WITHHOLDING TAXES.

(a) General. To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to RHI for the satisfaction of any withholding tax obligations that arise in connection with the Plan. RHI shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied. In the event that such withholding taxes are not paid on a timely basis, as determined by RHI in its sole discretion, to the extent permitted by law RHI shall have the right, but not the obligation, to cause such withholding taxes to be satisfied by reducing the number of Shares or cash (if applicable) deliverable or by offsetting such withholding taxes against amounts otherwise due from the Company to the Participant. If withholding taxes are paid by reduction of the number of Shares deliverable to Optionee, such shares shall be valued at the Fair Market Value as of the date of exercise.

(b) Share Withholding. Unless otherwise provided by the Committee, a Participant may satisfy all or part of his or her minimum withholding or income tax obligations by having RHI withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Shares that he or she previously acquired. Subject to applicable law and accounting considerations, such Shares shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash. A Participant may elect to surrender, or attest to the ownership of, previously acquired Shares in excess of the amount required to satisfy his or her minimum withholding or income tax obligations provided that such Shares have been held by the Participant for such period of time required to avoid RHI's recognition of additional compensation expense for financial reporting purposes as a result of the surrender or attestation of such previously owned shares.

SECTION 20. NO EMPLOYMENT OR REELECTION RIGHTS.

No provision of the Plan, nor any right or Award granted under the Plan, shall be construed to give any person any right to become, to be treated as, or to remain an Eligible Participant. RHI and its Subsidiaries and Affiliates reserve the right to terminate any person's Service at any time and for any reason, with or without notice. No provision of the Plan nor any right or Award granted under the Plan shall be construed to create any obligation on the part of the Board of Directors to nominate any Outside Director for reelection by RHI's stockholders, or confer upon any Outside Director the right to remain a member of the Board of Directors for any period of time, or at any particular rate of compensation.

SECTION 21. DURATION AND AMENDMENTS.

(a) Term of the Plan. The Plan, as set forth herein, shall terminate automatically on the meeting of the stockholders of RHI in 2011, unless re-adopted or extended by RHI's stockholders prior to or on such date and may be terminated on any earlier date by the Board of Directors or the Compensation Committee, as described in the next Subsection.

(b) Right to Amend or Terminate the Plan. The Board of Directors or, to the extent permitted by applicable laws, rules or regulations, the Compensation Committee may amend or terminate the Plan at any time and from time to time. Rights and obligations under any Award granted before amendment or termination of the Plan shall not be materially impaired by such amendment or termination, except with consent of the person to whom the Award was granted. An amendment of the Plan shall be subject to the approval of RHI's stockholders to the extent required by applicable laws, regulations or rules, including, but not limited to, any applicable rules or regulations of the New York Stock Exchange. In addition, no material amendment may be made to the plan without the approval of RHI's stockholders.

(c) Effect of Amendment or Termination. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Award granted prior to such termination. The termination of the Plan, or any amendment thereof, shall not adversely affect any Shares previously issued or any Awards previously granted under the Plan.

SECTION 22. PLAN EFFECTIVENESS.

This Plan shall become effective upon its approval by RHI's stockholders. Upon its effectiveness, the Plan shall supersede the Existing Equity Plans such that no further awards shall be made under the Existing Equity Plans. This Plan shall not, in any way, affect awards under the Existing Equity Plans that are outstanding as of the date this Plan becomes effective. If RHI's stockholders do not approve this Plan, no Awards will be made under this Plan and the Existing Equity Plans will continue in effect in accordance with their terms.

EXHIBIT 21.1**SUBSIDIARIES OF ROBERT HALF INTERNATIONAL INC.**

Name of Subsidiary	Jurisdiction of Incorporation
RH Holding Company, Inc.	California
BMK Services, Inc.	California
BMK Resources, Inc.	California
Robert Half of California, Inc.	California
Cooperative Resources, Inc.	California
Golden State Temporaries, Inc.	California
RHI Staffing, Inc.	California
Robert Half, Inc.	California
Jersey Temporaries, Inc.	Delaware
Protiviti Inc.	Delaware
Protiviti Holdings Inc.	Delaware
Protiviti SC Inc.	Delaware
RH-TM Resources, Inc.	Delaware
Protiviti Government Services, Inc.	Maryland
Penta Advisory Services, LLC	Maryland
Robert Half Corporation	Nevada
Robert Half Nevada Staff, Inc.	Nevada
Robert Half of Pennsylvania, Inc.	Pennsylvania
Protiviti Pty Limited	Australia
Robert Half Australia Pty. Ltd.	Australia
Robert Half Austria GmbH	Austria
Protiviti BVBA	Belgium
Robert Half BVBA	Belgium
Robert Half Consulting Services BVBA	Belgium
Protiviti Brasil-Servicos de Consultoria Ltda.	Brasil
Robert Half Assessoria Em Recuros Humanos Ltda	Brazil
Robert Half Trabalho Temporário Ltda	Brazil
Protiviti Co.	Canada
Robert Half Canada Inc.	Canada
Protiviti Hong Kong Co. Ltd.	China
Protiviti Shanghai Co., Ltd.	China
Robert Half Hong Kong Limited	China
Robert Half Czech Republic, s.r.o.	Czech Republic
Protiviti SAS	France
Robert Half International France SAS	France
Robert Half SAS	France

Name of Subsidiary	Jurisdiction of Incorporation
Protiviti GmbH	Germany
Robert Half Deutschland Beteiligungsgesellschaft GmbH	Germany
Robert Half Deutschland GmbH & Co. KG	Germany
Protiviti Consulting Private Limited	India
Robert Half Ireland Limited	Ireland
Protiviti S.r.l.	Italy
Robert Half S.r.l.	Italy
Protiviti Japan Co., Ltd.	Japan
Robert Half Japan Ltd.	Japan
Protiviti Yuhan Hoesa	Korea
Robert Half Sarl	Luxembourg
Robert Half Holding Sarl	Luxembourg
Protiviti Services S.R.L. de C.V.	Mexico
Protiviti S.R.L. de C.V.	Mexico
Protiviti B.V.	Netherlands
Robert Half International B.V.	Netherlands
Robert Half Nederland B.V.	Netherlands
Robert Half New Zealand Limited	New Zealand
Protiviti Pte. Ltd.	Singapore
Robert Half International Pte. Ltd.	Singapore
Robert Half International Spain, Empresa de Trabajo Temporal, S.L.	Spain
Protiviti Spain S.L.	Spain
Robert Half S.L.	Spain
Robert Half GmbH	Switzerland
Robert Half International (Dubai) Ltd.	United Arab Emirates
Protiviti Limited	United Kingdom
Robert Half Holdings Limited	United Kingdom
Robert Half Limited	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-14706, 33-32622, 33-32623, 33-39187, 33-39204, 33-40795, 33-52617, 33-56639, 33-56641, 33-57763, 33-62138, 33-62140, 33-65401, 33-65403, 333-05743, 333-05745, 333-18283, 333-18339, 333-38786, 333-38820, 333-42471, 333-42573, 333-42343, 333-42269, 333-50068, 333-50094, 333-66038, 333-66042, 333-68193, 333-68135, 333-68273, 333-75694, 333-79793, 333-79829, 333-88001, 333-91173, 333-91151, 333-91167, 333-98737, 333-125044 and 333-151015) of Robert Half International Inc., of our report dated February 17, 2009, relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Francisco, California
February 17, 2009

Certification Pursuant to Rule 13a-14 under the Securities Exchange Act of 1934

I, Harold M. Messmer, Jr., certify that:

1. I have reviewed this report on Form 10-K of Robert Half International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2009

/s/ HAROLD M. MESSMER, JR.

Harold M. Messmer, Jr.
Chairman and Chief Executive Officer

Certification Pursuant to Rule 13a-14 under the Securities Exchange Act of 1934

I, M. Keith Waddell, certify that:

1. I have reviewed this report on Form 10-K of Robert Half International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2009

/s/ M. KEITH WADDELL

M. Keith Waddell
Vice Chairman, President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 of Robert Half International Inc. (the "Form 10-K"), I, Harold M. Messmer, Jr., Chief Executive Officer of Robert Half International Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Robert Half International Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Robert Half International Inc. and will be retained by Robert Half International Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

February 19, 2009

/s/ Harold M. Messmer, Jr.

Harold M. Messmer, Jr.
Chief Executive Officer
Robert Half International Inc.

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 of Robert Half International Inc. (the "Form 10-K"), I, M. Keith Waddell, Chief Financial Officer of Robert Half International Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Robert Half International Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Robert Half International Inc. and will be retained by Robert Half International Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

February 19, 2009

/s/ M. Keith Waddell

M. Keith Waddell
Chief Financial Officer
Robert Half International Inc.