

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

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**FORM 10-Q**

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

For the quarterly period ended October 31, 2007

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-14505

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**KORN/FERRY INTERNATIONAL**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State of other jurisdiction  
of incorporation or organization)

**95-2623879**  
(I.R.S. Employer  
Identification Number)

**1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067**  
(Address of principal executive offices) (Zip code)

**(310) 552-1834**  
(Registrant's telephone number, including area code)

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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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ an accelerated filer ☐ or a non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of our common stock as of December 3, 2007 was 46,645,339.

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**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
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**PART I. FINANCIAL INFORMATION**
**Item 1. Condensed Financial Statements**

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share amounts)

	As of October 31, 2007 (unaudited)	As of April 30, 2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 166,908	\$ 232,531
Marketable securities	75,089	91,736
Receivables due from clients, net of allowance for doubtful accounts of \$12,874 and \$9,822, respectively	144,803	107,751
Income tax and other receivables	7,393	6,357
Deferred income taxes	9,914	9,524
Prepaid expenses	18,219	16,861
Total current assets	422,326	464,760
Property and equipment, net	29,459	25,999
Cash surrender value of company owned life insurance policies, net of loans	80,480	76,478
Deferred income taxes	44,691	42,013
Goodwill	139,308	124,268
Intangible assets, net	15,794	18,040
Investments and other	11,763	9,933
Total assets	<u>\$ 743,821</u>	<u>\$ 761,491</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$ 11,305	\$ 10,383
Income taxes payable	24,406	22,432
Compensation and benefits payable	109,264	158,145
Other accrued liabilities	35,237	38,529
Total current liabilities	180,212	229,489
Deferred compensation and other retirement plans	104,145	91,360
Other liabilities	5,680	7,687
Total liabilities	290,037	328,536
Stockholders' equity:		
Common stock: \$0.01 par value, 150,000 shares authorized, 54,466 and 45,453 shares issued and 46,615 and 47,174 shares outstanding, respectively	392,045	400,126
Retained earnings	63,012	32,344
Unearned restricted stock compensation	(38,251)	(19,567)
Accumulated other comprehensive income	37,527	20,605
Stockholders' equity	454,333	433,508
Less: Notes receivable from stockholders	(549)	(553)
Total stockholders' equity	453,784	432,955
Total liabilities and stockholders' equity	<u>\$ 743,821</u>	<u>\$ 761,491</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Fee revenue	\$ 195,857	\$ 155,718	\$ 381,210	\$ 308,481
Reimbursed out-of-pocket engagement expenses	10,967	9,069	21,891	17,452
Total revenue	206,824	164,787	403,101	325,933
Compensation and benefits	130,404	102,072	253,390	206,509
General and administrative expenses	34,212	28,260	65,913	52,625
Out-of-pocket engagement expenses	14,287	10,939	28,414	20,646
Depreciation and amortization	2,539	2,368	4,889	4,657
Total operating expenses	181,442	143,639	352,606	284,437
Operating income	25,382	21,148	50,495	41,496
Interest and other income, net	2,014	1,731	4,744	4,163
Interest expense	1,215	2,603	2,447	5,116
Income before provision for income taxes and equity in earnings of unconsolidated subsidiaries	26,181	20,276	52,792	40,543
Provision for income taxes	9,966	7,484	20,400	15,084
Equity in earnings of unconsolidated subsidiaries, net	894	774	1,817	1,770
Net income	\$ 17,109	\$ 13,566	\$ 34,209	\$ 27,229
Basic earnings per common share	\$ 0.38	\$ 0.35	\$ 0.76	\$ 0.70
Basic weighted average common shares outstanding	44,529	39,018	44,785	39,019
Diluted earnings per common share	\$ 0.37	\$ 0.31	\$ 0.74	\$ 0.62
Diluted weighted average common shares outstanding	45,841	46,568	46,573	46,667

The accompanying notes are an integral part of these condensed consolidated financial statements.

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Six Months Ended October 31,	
	2007	2006
Cash from operating activities:		
Net income	\$ 34,209	\$ 27,229
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,889	4,657
Stock compensation expense	1,470	3,292
Amortization of discount on convertible securities	—	491
Loss on disposition of property and equipment	125	—
Provision for doubtful accounts	6,520	4,104
Gain on cash surrender value of life insurance policies	(3,945)	(2,152)
Realized gains on marketable securities	(827)	(395)
Deferred income taxes	(6,610)	(4,817)
Non-cash compensation arrangements	6,624	3,451
Change in other assets and liabilities, net of effect of acquisitions:		
Deferred compensation	12,785	10,286
Receivables	(44,608)	(29,269)
Prepaid expenses	(1,357)	(1,023)
Investment in unconsolidated subsidiaries	(2,256)	(1,896)
Income taxes payable	9,019	7,128
Accounts payable and accrued liabilities	(56,815)	(33,102)
Other	(2,593)	(1,665)
Net cash used in operating activities	(43,370)	(13,681)
Cash from investing activities:		
Purchase of property and equipment	(8,050)	(5,951)
Proceeds from sales of marketable securities, net	19,674	22,929
Cash paid for acquisitions, net of cash acquired	(3,755)	(21,239)
Premiums on life insurance policies	(484)	(463)
Dividends received from unconsolidated subsidiaries	1,027	636
Net cash provided by (used) in investing activities	8,412	(4,088)
Cash from financing activities:		
Borrowings under life insurance policies	427	277
Purchase of common stock	(54,532)	(25,924)
Proceeds from issuance of common stock upon exercise of employee stock options and in connection with an employee stock purchase plan	14,928	13,546
Tax benefit from exercise of stock options	3,276	3,668
Receipts on stockholders' notes	4	4
Net cash used in financing activities	(35,897)	(8,429)
Effect of exchange rates on cash and cash equivalents	5,232	(507)
Net decrease in cash and cash equivalents during the period	(65,623)	(26,705)
Cash and cash equivalents at beginning of the period	232,531	211,768
Cash and cash equivalents at end of the period	<u>\$ 166,908</u>	<u>\$ 185,063</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS**  
**(in thousands, except per share amounts)**

**1. Summary of Significant Accounting Policies**

*Basis of Presentation*

The condensed consolidated financial statements for the three and six months ended October 31, 2007 and 2006 include the accounts of Korn/Ferry International and all of its wholly and majority owned/controlled domestic and international subsidiaries (collectively, the “Company”). The condensed consolidated financial statements are unaudited, but include all adjustments, consisting of normal recurring accruals and any other adjustments that management considers necessary for a fair presentation of the results for these periods. These financial statements have been prepared consistently with the accounting policies described in the Company’s Annual Report on Form 10-K for the fiscal year ended April 30, 2007 (the “Annual Report”) and should be read together with the Annual Report.

*Critical Accounting Policies and Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“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 revenue and expenses during the reporting period. As a result, actual results could differ from these estimates. The most significant areas that require management judgment are revenue recognition, deferred compensation and the carrying values of goodwill, other intangible assets and deferred income taxes.

*Cash and Cash Equivalents*

The Company considers cash equivalents to be only those investments which are highly liquid, readily convertible and mature within three months from the date of purchase.

*Available-for-Sale Securities*

The Company considers its marketable securities as available-for-sale as defined in SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities.” These investments are recorded at fair value and are classified as marketable securities in the accompanying consolidated balance sheets as of October 31, 2007 and April 30, 2007. The changes in fair values, net of applicable taxes, are recorded as unrealized gains (losses) as a component of accumulated other comprehensive income in stockholders’ equity. Investments are made based on the Company’s investment policy which restricts the types of investments that can be made.

As of October 31, 2007 and April 30, 2007, the Company’s marketable securities included \$52.5 million and \$35.2 million, respectively, held in trust for settlement of the Company’s obligations under its Executive Capital Accumulation Plan (“ECAP”). See additional discussion in Footnote 4, Deferred Compensation, Retirement Plans and Executive Capital Accumulation Plan.

A portion of our marketable securities consist of auction rate securities. These investments, which have original maturities beyond one year, are classified as current in the accompanying balance sheets based on their highly liquid nature and because these securities represent the investment of cash that is available for current operations. As of October 31, 2007, we concluded that it was appropriate to classify certain of our investments previously classified as cash and cash equivalents as marketable securities. To conform to the current period presentation, we have reclassified \$56.6 million from cash and cash equivalents to marketable securities as of April 30, 2007.

*Stock-Based Compensation*

The Company has employee compensation plans under which various types of stock-based instruments are granted. These instruments, as more fully described below, principally include stock options, stock appreciation rights (“SARs”), restricted stock, and an Employee Stock Purchase Plan (“ESPP”). The Company accounts for stock-based instruments in accordance with Statement of Financial Accounting Standards No. 123(R), “Share-Based Payment” (“SFAS No. 123(R”).

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS—(Continued)**  
(in thousands, except per share amounts)

The following table reflects the components of stock-based compensation expense recognized in the Company's condensed consolidated statements of income for the three and six months ended October 31, 2007 and 2006:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Stock options and SARs	\$ 308	\$ 1,468	\$ 1,027	\$ 2,777
Restricted stock	3,814	2,141	6,839	3,671
Employee Stock Purchase Plan	133	109	274	232
Total stock-based compensation expense, pre-tax	4,255	3,718	8,140	6,680
Tax benefit from stock-based compensation expense	(1,553)	(1,403)	(2,971)	(2,627)
Total stock-based compensation expense, net of tax	<u>\$ 2,702</u>	<u>\$ 2,315</u>	<u>\$ 5,169</u>	<u>\$ 4,053</u>

The Company uses the Black-Scholes option valuation model to estimate the grant date fair value of employee stock options. The expected volatility reflects the consideration of the historical volatility in the Company's publicly traded instruments during the period the option is granted. The Company believes historical volatility in these instruments is more indicative of expected future volatility than the implied volatility in the price of the Company's common stock. The expected life of the option is estimated using historical data to estimate the expected life of the options. The risk-free interest rate is based on the U.S. Treasury zero-coupon issue with a remaining term approximating the expected term of the options. The Company uses historical data to estimate forfeiture rates applied to the gross amount of expense determined using the option valuation model. The assumptions used to estimate the fair value of the stock options using the Black-Scholes option valuation model were as follows for the six months ended October 31, 2007 and 2006:

	Six Months Ended October 31,	
	2007	2006
Expected volatility	44.42%	48.05%
Risk-free interest rate	4.60%	4.95%
Expected option life (in years)	4.00	4.00
Expected dividend yield	0.0%	0.0%

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options. The assumptions used in option valuation models are highly subjective, particularly the expected stock price volatility of the underlying stock.

#### *Stock Option Plans*

The Company's employee stock option plans provide for option grants designated as either nonqualified, incentive stock options or SARs. Options granted to officers, non-employee directors and other key employees generally vest over a three to five year period, and generally expire ten years from the date of grant. Key employees are eligible to receive a grant of stock options annually with the number of options determined by the employee's performance level. In addition, certain key management periodically receives stock option or restricted stock grants upon commencement of employment.

Stock option and SARs information during the six months ended October 31, 2007 is as follows:

	Options (in thousands)	Weighted- average exercise price	Weighted- average remaining contractual life (Yrs)	Aggregate intrinsic value
Outstanding at April 30, 2007	4,738	\$ 14.52		
Granted	3	25.46		
Exercised	(986)	13.48		
Forfeited/expired	(34)	18.01		
Outstanding at October 31, 2007	<u>3,721</u>	<u>\$ 14.78</u>	<u>5.2</u>	<u>\$18,985</u>
Exercisable at October 31, 2007	<u>3,375</u>	<u>\$ 14.36</u>	<u>5.0</u>	<u>\$18,732</u>

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS—(Continued)**  
(in thousands, except per share amounts)

Included in the table above are 61 SARs outstanding and exercisable at October 31, 2007 with a weighted-average exercise price of \$12.42. As of October 31, 2007, there was \$2,148 of total unrecognized compensation cost related to nonvested awards of stock options and SARs. That cost is expected to be recognized over a weighted-average period of 1.4 years. For stock option awards subject to graded vesting, we recognize the total compensation cost on a straight-line basis over the service period for the entire award.

Additional information pertaining to stock options:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Weighted average fair value of stock options granted	\$ —	\$ 9.26	\$ 10.30	\$ 8.98
Total fair value of stock options and SARs vested	329	651	3,934	9,470
Total intrinsic value of stock options exercised	1,083	7,776	11,776	11,199
Total intrinsic value of SARs paid	—	95	—	162

*Restricted Stock*

The Company grants restricted stock to executive officers and other senior employees generally vesting over a three to four year period. Restricted stock is granted at a price equal to the fair market value of the common stock on the date of grant. Employees may receive restricted stock annually in conjunction with the Company's performance review as well as throughout the year upon commencement of employment. The fair values of restricted stock shares are determined based on the closing price of the Company's common stock on the grant dates.

Information regarding our restricted stock during the six months ended October 31, 2007 is as follows:

Nonvested shares	Shares (in thousands)	Weighted- average grant date fair value
Nonvested at April 30, 2007	1,356	\$ 19.26
Granted	1,084	24.98
Vested	(472)	19.39
Forfeited	(11)	23.38
Nonvested at October 31, 2007	1,957	\$ 22.37

As of October 31, 2007, there was \$38,251 of total unrecognized compensation cost related to nonvested awards of shares of restricted stock. That cost is expected to be recognized over a weighted-average period of 3 years. For restricted stock awards subject to graded vesting, the Company recognizes the total compensation cost on a straight-line basis over the service period for the entire award. In the three and six months ended October 31, 2007, four and 158 restricted stock shares totaling \$60 and \$4,145, respectively, were repurchased by the Company at the option of the employee to pay for taxes on restricted stock shares vesting in the periods. In the three and six months ended October 31, 2006, two and 70 restricted shares totaling \$53 and \$1,381, respectively, were repurchased to pay for taxes on restricted stock shares vesting in the periods.



**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS—(Continued)**  
**(in thousands, except per share amounts)**

*Employee Stock Purchase Plan*

In October 2003, the Company implemented an ESPP that, in accordance with Section 423 of the Internal Revenue Code, allows eligible employees to authorize payroll deductions of up to 15% of their salary to purchase shares of the Company's common stock at 85% of the fair market price of the common stock on the last day of the enrollment period. The maximum number of shares of common stock reserved for ESPP issuance is 1,500, subject to adjustment for certain changes in the Company's capital structure and other extraordinary events. During the six months ended October 31, 2007 and 2006, employees purchased 73 shares at \$22.32 per share, and 85 shares at \$16.65 per share, respectively. At October 31, 2007, the plan had approximately 800 shares available for future issuance.

*Common Stock*

The Company issued approximately 102 and 986 common shares as a result of the exercise of stock options and 73 common shares in conjunction with the Company's ESPP in the three and six months ended October 31, 2007, respectively. The Company issued approximately 729 and 1,095 common shares as a result of the exercise of stock options and 85 common shares in conjunction with the Company's ESPP in the three and six months ended October 31, 2006, respectively.

*Reclassifications*

Certain prior period amounts have been reclassified to conform to the current period presentation.

*New Accounting Standards*

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The Company adopted FIN 48 as of May 1, 2007. FIN 48 clarifies the accounting for income taxes by prescribing a minimum threshold for benefit recognition of a tax position for financial reporting purposes. FIN 48 also establishes tax accounting rules for measurement, classification, interest and penalties, disclosure and interim period accounting. As a result of the adoption of FIN 48, the Company recorded a cumulative effect adjustment which reduced retained earnings by \$3,500. As of October 31, 2007, the Company had gross unrecognized benefits of \$10,700, which would impact the effective tax rate if recognized. Interest and penalties related to income tax matters are recorded to income tax expense. As of October 31, 2007, the Company accrued interest related to FIN 48 of \$300. The Company's Federal and state tax return filings remain subject to examination until 2010 and 2011, respectively.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The statement emphasizes that fair value is a market-based measurement, not an entity-specific measurement and establishes a fair value hierarchy. This statement also clarifies how the assumptions of risk and the effect of restrictions on sales or use of an asset effect the valuation. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption is permitted. The Company is assessing the impact this statement will have on its results of operations and financial position.

In February, 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159") including an amendment of SFAS No. 115. This statement provides companies with an option to report selected financial assets and liabilities at fair value. This statement is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. The Company is assessing the impact this statement will have on its results of operations and financial position.

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS—(Continued)**  
(in thousands, except per share amounts)

## 2. Basic and Diluted Earnings Per Share

Basic earnings per common share ("basic EPS") was computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share ("diluted EPS") reflects the potential dilution that would occur if all in-the-money outstanding options or other contracts to issue common stock were exercised or converted and was computed by dividing adjusted net income, after assumed conversion of subordinated notes and preferred stock, by the weighted average number of common shares outstanding plus dilutive common equivalent shares. The following is a reconciliation of the numerator and denominator used in the computation of basic and diluted EPS:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
<b>Net income (Numerator):</b>				
Net income for basic EPS	\$17,109	\$13,566	\$34,209	\$27,229
Interest expense on convertible securities, net of related tax effects	36	785	73	1,570
Net income for diluted EPS	<u>\$17,145</u>	<u>\$14,351</u>	<u>\$34,282</u>	<u>\$28,799</u>
<b>Shares (Denominator):</b>				
Weighted average shares for basic EPS	44,529	39,018	44,785	39,019
Effect of:				
Convertible subordinated notes	—	4,470	—	4,470
Convertible preferred stock	—	1,117	—	1,117
Warrants	109	117	129	113
Restricted stock	158	134	298	165
Stock options	1,038	1,709	1,347	1,781
Employee stock purchase plan	7	3	14	2
Adjusted weighted average shares for diluted EPS	<u>45,841</u>	<u>46,568</u>	<u>46,573</u>	<u>46,667</u>
<b>Basic EPS</b>	<u>\$ 0.38</u>	<u>\$ 0.35</u>	<u>\$ 0.76</u>	<u>\$ 0.70</u>
<b>Diluted EPS</b>	<u>\$ 0.37</u>	<u>\$ 0.31</u>	<u>\$ 0.74</u>	<u>\$ 0.62</u>

Assumed exercises or conversions have been excluded in computing the diluted EPS when their inclusion would be anti-dilutive.

## 3. Comprehensive Income

Comprehensive income is comprised of net income and all changes to stockholders' equity, except those changes resulting from investments by owners (changes in paid in capital) and distributions to owners (dividends).

Total comprehensive income is as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Net income	\$17,109	\$13,566	\$34,209	\$27,229
Foreign currency translation adjustment	12,478	(659)	15,563	571
Unrealized loss on marketable securities, net of taxes	1,636	683	1,359	209
Comprehensive income	<u>\$31,223</u>	<u>\$13,590</u>	<u>\$51,131</u>	<u>\$28,009</u>

The accumulated other comprehensive income at October 31, 2007 includes foreign currency translation adjustments, unrealized gains on marketable securities and the implementation effect of SFAS No. 158, net of taxes, of \$34,877, \$2,985 and (\$335), respectively.

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS—(Continued)**  
(in thousands, except per share amounts)

**4. Deferred Compensation, Retirement Plans and Executive Capital Accumulation Plan**

The Company has several deferred compensation and retirement plans for vice-presidents that provide defined benefit payments to participants based on the deferral of current compensation subject to vesting and retirement or termination provisions. The components of net periodic benefit cost are as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
<i>Components of net periodic benefit costs:</i>				
Service cost	\$ 267	\$ 303	\$ 534	\$ 606
Interest cost	835	752	1,670	1,504
Amortization of actuarial gain	(18)	13	(36)	26
Amortization of net transition obligation	53	53	106	106
Net periodic benefit cost	<u>\$ 1,137</u>	<u>\$ 1,121</u>	<u>\$2,274</u>	<u>\$2,242</u>

The Company has the Executive Capital Accumulation Plan ("ECAP") which is intended to provide certain employees an opportunity to defer salary and/or bonus on a pre-tax basis, or make an after-tax contribution. The Company made \$2,100 and \$14,800 in ECAP contributions in the three and six months ended October 31, 2007, respectively. The Company contribution vests and is expensed ratably over a four year period.

**5. Business Segments**

The Company operates in two global business segments: executive recruitment and Futurestep. These segments are distinguished primarily by the candidates' level of compensation. The executive recruitment business segment is managed by geographic regional leaders. Revenue from leadership development solutions and other consulting engagements is included in executive recruitment. Futurestep's worldwide operations are managed by the Chief Executive Officer of Futurestep. The executive recruitment geographic regional leaders and the Chief Executive Officer of Futurestep report directly to the Chief Executive Officer of the Company. The Company also operates a Corporate segment to record global expenses of the Company.

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS—(Continued)**  
(in thousands, except per share amounts)

A summary of the Company's results of operations by business segment is as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
<b>Fee revenue:</b>				
<b>Executive recruitment:</b>				
North America	\$ 94,862	\$ 80,006	\$ 182,176	\$ 155,490
EMEA	42,058	32,819	86,780	67,006
Asia Pacific	24,656	18,297	47,317	36,561
South America	7,497	3,987	12,567	8,466
<b>Total executive recruitment</b>	<b>169,073</b>	<b>135,109</b>	<b>328,840</b>	<b>267,523</b>
<b>Futurestep</b>	<b>26,784</b>	<b>20,609</b>	<b>52,370</b>	<b>40,958</b>
<b>Total fee revenue</b>	<b>\$ 195,857</b>	<b>\$ 155,718</b>	<b>\$ 381,210</b>	<b>\$ 308,481</b>
	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
<b>Total revenue:</b>				
<b>Executive Recruitment:</b>				
North America	\$ 100,163	\$ 84,954	\$ 192,393	\$ 165,718
EMEA	43,439	34,536	89,472	69,893
Asia Pacific	25,248	18,609	48,490	37,148
South America	7,606	4,116	12,792	8,793
<b>Total executive recruitment</b>	<b>176,456</b>	<b>142,215</b>	<b>343,147</b>	<b>281,552</b>
<b>Futurestep</b>	<b>30,368</b>	<b>22,572</b>	<b>59,954</b>	<b>44,381</b>
<b>Total revenue</b>	<b>\$ 206,824</b>	<b>\$ 164,787</b>	<b>\$ 403,101</b>	<b>\$ 325,933</b>
	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
<b>Operating income (loss):</b>				
<b>Executive recruitment:</b>				
North America	\$ 21,388	\$ 16,778	\$ 41,179	\$ 33,858
EMEA	6,064	6,191	13,755	11,395
Asia Pacific	4,614	3,297	9,151	6,987
South America	884	360	1,545	1,098
<b>Total executive recruitment</b>	<b>32,950</b>	<b>26,626</b>	<b>65,630</b>	<b>53,338</b>
<b>Futurestep</b>	<b>1,532</b>	<b>1,845</b>	<b>3,616</b>	<b>2,889</b>
<b>Corporate</b>	<b>(9,100)</b>	<b>(7,323)</b>	<b>(18,751)</b>	<b>(14,731)</b>
<b>Total operating income</b>	<b>\$ 25,382</b>	<b>\$ 21,148</b>	<b>\$ 50,495</b>	<b>\$ 41,496</b>

## 6. Acquisitions

The Company acquired Lominger Limited, Inc., a Minnesota corporation, and Lominger Consulting, Inc., a Minnesota corporation (together referred to as the "Lominger Entities"), as well as all of the intellectual property rights of Drs. Robert W. Eichinger and Michael M. Lombardo (the co-founders of the Lominger Entities), on August 8, 2006. The purchase price for the transaction totaled \$24,400, subject to adjustment, and was preliminarily allocated as follows: \$6,600 to goodwill, \$18,100 to purchased intangibles, \$4,500 to total assets acquired and \$4,800 to total liabilities assumed.

The purchase accounting for the Lominger Entities was completed in the three months ended October 31, 2007. The final purchase price allocation was \$8,700 to goodwill, \$16,000 to purchased intangibles, \$4,500 to total assets acquired and \$4,800 to

**KORN/FERRY INTERNATIONAL AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS—(Continued)**  
**(in thousands, except per share amounts)**

total liabilities assumed. The adjustments to the preliminary purchase price allocation resulted in a reclassification of \$2,100 from purchased intangibles to goodwill on the consolidated balance sheet as of October 31, 2007.

We account for goodwill and purchased intangibles in accordance with SFAS 142, “Goodwill and Other Intangible Assets” (“SFAS No. 142”). Actual results of operations of the Lominger Entities are included in our condensed consolidated financial statements from August 8, 2006, the effective date of this acquisition.

**7. Subsequent Events**

On November 2, 2007, the Board of Directors approved the repurchase of an additional \$50,000 of the Company’s common stock under a common stock repurchase program. Under this repurchase program, shares can be repurchased in the open market or privately negotiated transactions at the Company’s discretion. The \$50,000 is in addition to the March 6, 2007, June 8, 2006 and December 7, 2005 amounts previously approved for \$50,000, \$25,000 and \$50,000, respectively. As of October 31, 2007, the Company had used all of the \$125,000 of share repurchase funds authorized by the Board of Directors in March 2007, June 2006 and December 2005.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Forward-looking Statements**

*This quarterly report on Form 10-Q may contain certain statements that we believe are, or may be considered to be, "forward-looking" statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "may," "will," "estimates," "potential," "continue" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements. All of these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statement. The principal risk factors that could cause actual performance and future actions to differ materially from the forward-looking statements include, but are not limited to, dependence on attracting and retaining qualified and experienced consultants, portability of client relationships, local political or economic developments in or affecting countries where we have operations, currency fluctuations in our international operations, ability to manage growth, restrictions imposed by off-limits agreements, competition, risks related to the growth and results of Futurestep, reliance on information processing systems, and employment liability risk as well as the matters disclosed under the heading "Risk Factors" in Item 1A of the Company's annual report on Form 10-K for fiscal 2007. Readers are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Form 10-Q are made only as of the date of this report and we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.*

*The following presentation of management's discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements included in this Form 10-Q.*

**Executive Summary**

Korn/Ferry International and all of its wholly and majority owned/controlled domestic and international subsidiaries (collectively, the "Company," or in the first person, "we," "us" and "our") is a premier provider of talent management solutions. We are the largest provider of executive recruitment, outsourced recruiting and leadership development solutions with the broadest global presence in the recruitment industry. Our services include executive recruitment, middle-management recruitment and outsourced recruitment (through Futurestep), leadership development solutions and executive coaching. Over half of the executive recruitment engagements we performed in the last fiscal year were for board level, chief executive or other senior executive and general management positions. Our 4,742 clients in the last fiscal year included approximately 43% of the FORTUNE 500 companies. We have established strong client loyalty; more than 84% of the executive recruitment assignments we performed during the previous three fiscal years were on behalf of clients for whom we had conducted multiple assignments.

In an effort to maintain our long-term strategy of being the leading provider of executive recruitment, middle-management recruitment, outsourced recruiting and leadership development solutions, our strategic focus for fiscal 2008 will center upon increasing market share and further enhancing the cross-selling of our multi-product strategy. We will continue to address areas of increasing client demand, including Recruitment Process Outsourcing ("RPO") and Leadership Development Solutions ("LDS"). We will explore new products and services, continue to pursue a disciplined acquisition strategy, enhance our technology and processes and aggressively leverage our brand through thought leadership and intellectual capital projects as a means of delivering world-class service to our clients.

Fee revenue increased 26% in the second quarter of fiscal year 2008 to \$195.9 million compared to the prior year's second quarter with increases in all regions. The North America and Europe, the Middle East, and Africa ("EMEA") regions experienced the largest dollar increases in fee revenue. In the second quarter of fiscal 2008, we earned an operating profit of \$25.4 million with operating income from executive recruitment of \$33.0 million and \$1.5 million from Futurestep, offset by corporate expenses of \$9.1 million. This represents an increase of 20% over the prior year's quarterly operating income of \$21.1 million.

We had no long-term debt or outstanding balance under our credit facility at October 31, 2007. Our working capital increased \$6.8 million in the first six months of fiscal year 2008 to \$242.1 million at October 31, 2007.

**Critical Accounting Policies**

The following discussion and analysis of our financial condition and operating results are based on our unaudited condensed consolidated financial statements. Preparation of this quarterly report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from those

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estimates and assumptions. In preparing our interim financial statements and accounting for the underlying transactions and balances, we apply our accounting policies as disclosed in our Notes to Unaudited Condensed Consolidated Financial Statements. We consider the policies related to revenue recognition, deferred compensation and the carrying values of goodwill, intangible assets and deferred income taxes as critical to an understanding of our interim consolidated financial statements because their application places the most significant demands on management's judgment. Specific risks for these critical accounting policies are described in our Fiscal 2007 Annual Report on Form 10-K.

## Results of Operations

The following table summarizes the results of our operations for the three and six month periods ended October 31, 2007 and 2006 as a percentage of fee revenue:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Fee revenue	100.0%	100.0%	100.0%	100.0%
Reimbursed out-of-pocket engagement expenses	5.6	5.8	5.7	5.7
Total revenue	105.6	105.8	105.7	105.7
Compensation and benefits	66.6	65.5	66.5	66.9
General and administrative expenses	17.5	18.1	17.3	17.1
Out-of-pocket engagement expenses	7.3	7.0	7.5	6.7
Depreciation and amortization	1.2	1.6	1.2	1.5
Operating income	13.0	13.6	13.2	13.5
Net income	8.7%	8.7%	9.0%	8.8%

The following tables summarize the results of our operations by business segment. Operating income (loss) is calculated as a percentage of fee revenue of the respective segment (dollars in thousands).

	Three Months Ended October 31,				Six Months Ended October 31,			
	2007		2006		2007		2006	
	Dollars	%	Dollars	%	Dollars	%	Dollars	%
<b>Fee revenue</b>								
<b>Executive recruitment:</b>								
North America	\$ 94,862	48.4%	\$ 80,006	51.4%	\$182,176	47.8%	\$155,490	50.4%
EMEA	42,058	21.5	32,819	21.0	86,780	22.8	67,006	21.7
Asia Pacific	24,656	12.6	18,297	11.8	47,317	12.4	36,561	11.9
South America	7,497	3.8	3,987	2.6	12,567	3.3	8,466	2.7
Total executive recruitment	169,073	86.3	135,109	86.8	328,840	86.3	267,523	86.7
<b>Futurestep</b>	26,784	13.7	20,609	13.2	52,370	13.7	40,958	13.3
Total fee revenue	195,857	100.0%	155,718	100.0%	381,210	100.0%	308,481	100.0%
Reimbursed out-of-pocket engagement expenses	10,967		9,069		21,891		17,452	
Total revenue	\$206,824		\$164,787		\$403,101		\$325,933	

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	Three Months Ended October 31,				Six Months Ended October 31,			
	2007		2006		2007		2006	
	Dollars	%	Dollars	%	Dollars	%	Dollars	%
<b>Operating income (loss)</b>								
<b>Executive recruitment:</b>								
North America	\$21,388	22.5%	\$16,778	21.0%	\$ 41,179	22.6%	\$ 33,858	21.8%
EMEA	6,064	14.4	6,191	18.9	13,755	15.9	11,395	17.0
Asia Pacific	4,614	18.7	3,297	18.0	9,151	19.3	6,987	19.1
South America	884	11.8	360	9.0	1,545	12.3	1,098	13.0
<b>Total executive recruitment</b>	<b>32,950</b>	<b>19.5</b>	<b>26,626</b>	<b>19.7</b>	<b>65,630</b>	<b>20.0</b>	<b>53,338</b>	<b>19.9</b>
<b>Futurestep</b>	<b>1,532</b>	<b>5.7</b>	<b>1,845</b>	<b>9.0</b>	<b>3,616</b>	<b>6.9</b>	<b>2,889</b>	<b>7.1</b>
<b>Corporate</b>	<b>(9,100)</b>		<b>(7,323)</b>		<b>(18,751)</b>		<b>(14,731)</b>	
<b>Total operating income</b>	<b>\$25,382</b>	<b>13.0%</b>	<b>\$21,148</b>	<b>13.6%</b>	<b>\$ 50,495</b>	<b>13.2%</b>	<b>\$ 41,496</b>	<b>13.5%</b>

### Three Months Ended October 31, 2007 Compared to Three Months Ended October 31, 2006

*Fee Revenue.* Fee revenue increased \$40.2 million, or 26%, to \$195.9 million in the three months ended October 31, 2007 compared to \$155.7 million in the three months ended October 31, 2006. The improvement in fee revenue is attributable mainly to an 11% increase in the number of engagements billed within executive recruitment and a 22%, or \$31.9 million, increase in average fees from all regions. Exchange rates favorably impacted fee revenues by \$8.3 million in the current quarter.

*Executive Recruitment.* Executive recruitment fee revenue increased \$34.0 million, or 25%, to \$169.1 million due to an increase in the number of engagements billed, an increase in average fees and \$2.6 million from the Lominger Entities (Lominger Limited, Inc and Lominger Consulting, Inc., as well as certain related intellectual property, were acquired by the Company in the second quarter of fiscal 2007). During the three months ended October 31, 2007, the number of executive recruitment engagements billed have increased by 11% as compared to the same period last year.

North America fee revenue increased \$14.9 million, or 19%, to \$94.9 million primarily due to an 11% increase in the number of engagements billed as well as a 6% increase in average fees as compared to last year. Overall revenue growth was driven by an increase of \$6.1 million derived from the industrial sector offset by a decline in the consumer goods and technology sectors of \$1.4 million and \$0.7 million, respectively. Exchange rates favorably impacted the revenue for North America by \$0.8 million in the current quarter.

EMEA reported fee revenue of \$42.0 million, an increase of \$9.2 million, or 28%, compared to \$32.8 million in the same period last year. EMEA's increase in fee revenue was driven by an 11% increase in the number of engagements billed and an increase in average fees of 16%. The improved performance in existing offices in France, Germany, Norway, Switzerland, and the United Kingdom were the primary contributors to the increase in fee revenues. The financial services and consumer goods sectors experienced the largest increase in fee revenue over the prior year. Exchange rates favorably impacted EMEA fee revenue by \$3.5 million in the current quarter.

Asia Pacific fee revenue increased \$6.4 million, or 35%, to \$24.7 million, compared to the same period last year due to a 10% increase in the number of engagements billed and an increase in average fees of 22%. Australia, India, and the offices of Greater China (Hong Kong, Shanghai and Beijing) contributed approximately 44%, 29%, and 27%, respectively, to the increase in fee revenue. The financial services and industrial sectors experienced the largest fee revenue increase over the prior year. Exchange rates favorably impacted fee revenue for Asia Pacific by \$1.4 million in the three months ended October 31, 2007.

South America reported fee revenue of \$7.5 million, an increase of \$3.5 million, or 88%, compared to the same period last year, of which \$0.8 million is attributable to the favorable impact of exchange rates. Overall engagements billed were up 12% and average fees increased 69% within the region compared to the same period in the prior year. The improved performance in existing offices in Brazil and Colombia were the primary contributors to the increase in fee revenue over the prior year.

*Futurestep.* Fee revenue increased \$6.2 million, or 30%, to \$26.8 million in the three months ended October 31, 2007 compared to \$20.6 million in the three months ended October 31, 2006. The improvement in Futurestep's fee revenue, reflected across all regions, is due to an increase in average fees resulting from our continued strategic emphasis on larger outsourced recruiting solutions. Of the total increase in fee revenue, North America experienced the largest increase in fee revenue of \$2.6 million, or 34%, to \$10.3 million related to growth from Canada and the United States. Asia fee revenue increased \$1.9 million, or 37%, to



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\$7.1 million reflecting increased revenue from areas including RPO and individual searches. Europe fee revenue increased \$1.6 million, or 21%, to \$9.4 million, arising from increased business in France, Germany and Belgium and a migration to larger engagements offset by a decrease in the United Kingdom. Exchange rates favorably impacted fee revenue by \$1.8 million in the current quarter.

*Compensation and Benefits.* Compensation and benefits expense increased \$28.3 million, or 28%, to \$130.4 million in the three months ended October 31, 2007 from \$102.1 million in the three months ended October 31, 2006. The increase in compensation and benefits expenses is primarily due to a 22% increase in global headcount, compared to the same period last year, including a 19% increase in the average number of consultants, coupled with increased revenue-based awards. Exchange rates unfavorably impacted compensation and benefits expenses by \$5.6 million during the three months ended October 31, 2007.

Executive recruitment compensation and benefits costs of \$106.5 million in the three months ended October 31, 2007 increased \$22.4 million, or 27%, compared to \$84.1 million in the same period of prior year primarily due to consultants hired over the past year. In the current year's second quarter, the average number of consultants increased by 40, or 8%, compared to the same period last year. Exchange rates impacted executive recruitment compensation and benefits expense unfavorably by \$4.4 million. Executive recruitment compensation and benefits expenses in the three months ended October 31, 2007 increased to 63% as a percentage of fee revenue, compared to 62% in the same period last fiscal year.

Futurestep compensation and benefits expense increased \$5.1 million, or 38%, to \$18.6 million from \$13.5 million in the same period in the prior year due to significant investments in our employees which increased Futurestep average consultant headcount by 81% during the three months ended October 31, 2007 compared to the three months ended October 31, 2006. Exchange rates unfavorably impacted Futurestep compensation and benefits expense by \$1.1 million. Futurestep compensation and benefits expense, as a percentage of fee revenue, increased to 70% from 65% in the same period last year.

Corporate compensation and benefits expense increased \$0.8 million, or 18%, to \$5.3 million primarily from increases in recognition of unearned deferred compensation balances in the current quarter compared to the same period in the prior year.

*General and Administrative Expenses.* General and administrative expenses increased \$5.9 million, or 21%, to \$34.2 million in the three months ended October 31, 2007 compared to \$28.3 million in the three months ended October 31, 2006. Exchange rates unfavorably impacted general and administrative expenses by \$1.7 million in the current quarter.

Executive recruitment general and administrative expenses increased \$3.8 million, or 18%, from \$21.1 million in the second quarter of fiscal year 2007 to \$24.9 million in the second quarter of current fiscal year. The increase was driven by increases in premise and office expense of \$1.7 million, \$1.1 million in business development expenses, \$0.6 million in bad debt expense, and \$0.3 million in realized foreign exchange losses. Increased premise and office expense was attributable to all regions due to increased rent expense, total space leased and associated utility costs. Business development increased primarily due to the growth in the business. Bad debt expense increased in relation to increase in the level of business and corresponding increase in revenues and accounts receivable balances. Executive recruitment general and administrative expenses, as a percentage of fee revenue, decreased to 15% in current quarter from 16% in the same period in prior year.

Futurestep general and administrative expenses increased \$1.3 million, or 30%, to \$5.7 million primarily due to an increase in premise and office expense of \$0.4 million, and bad debt expenses of \$0.5 million. Increases in premise and office expense resulted from increase in rent expense noted across all regions and the opening of new offices in Europe and Asia. Futurestep general and administrative expenses, as a percentage of fee revenue, remained constant at 21% in the current quarter as in the comparable period in prior year.

Corporate general and administrative expenses increased \$0.8 million, or 30%, to \$3.6 million primarily due to increased professional fees, travel and meetings and premise and office expenses related to additional office space.

*Out-of-Pocket Engagement Expenses.* Out-of-pocket engagement expenses consist of expenses incurred by candidates and our consultants that are generally billed to clients. In the three months ended October 31, 2007, out-of-pocket engagement expenses of \$14.3 million represent an increase of \$3.4 million, or 31%, over the same period in the prior year. Out-of-pocket engagement expenses as a percentage of fee revenue was unchanged at 7% in the three months ended October 31, 2007 and 2006.

*Depreciation and Amortization Expenses.* Depreciation and amortization expense of \$2.5 million in the three months ended October 31, 2007 increased \$0.1 million, or 4%, from the same period in the prior year. This expense relates mainly to computer equipment, software, furniture and leasehold improvements. The increase in depreciation expenses is attributable to an increase in fixed asset balances primarily associated with furniture and fixtures and leasehold improvements related to business expansion, office buildout and amortization of software costs that added new functionality in our corporate and executive search segments.

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*Operating Income.* Operating income increased \$4.3 million, or 20%, to \$25.4 million in the current quarter compared to \$21.1 million in the same period in fiscal year 2007, resulting from increased revenue of \$42.0 million offset by a \$37.7 million increase to operating expenses, primarily compensation and benefits and general and administrative expenses, in the current year.

Executive recruitment operating income increased \$6.4 million, or 24%, to \$33.0 million in the three months ended October 31, 2007 compared to \$26.6 million in the three months ended October 31, 2006. The improvement in executive recruitment operating income is attributable to increased revenues offset by additional compensation expense relating to increased headcount and variable payouts as discussed previously, as well as increased premise and other general administrative expense. The Lominger Entities contributed \$1.3 million, or 20%, of the total increase for the segment during the quarter. Executive recruitment operating income during the current quarter, as a percentage of fee revenue, was 19% in the current quarter compared to 20% in the second quarter of the prior year.

Futurestep operating income decreased by \$0.3 million to \$1.5 million in the three months ended October 31, 2007 as compared to operating income of \$1.8 million in the three months ended October 31, 2006. The decrease in Futurestep operating income is primarily due to 30% increase in average fees offset by 38% increase in compensation expense and 31% increase in general and administrative expenses during the three month ended October 31, 2007 compared to the same period in fiscal year 2007. Futurestep operating income, as a percentage of fee revenue, declined to 6% in the current quarter from 9% in the same period last year.

*Interest Income and Other Income, Net.* Interest income and other income, net increased by \$0.3 million in the three months ended October 31, 2007 from \$1.7 million in the three months ended October 31, 2006. Interest and dividend income increased as a result of higher yields on larger balances of funds available for investment compared to prior year.

*Interest Expense.* Interest expense, primarily related to borrowings under Company Owned Life Insurance Policies ("COLI") and convertible securities, was \$1.2 million in the three months ended October 31, 2007 compared to \$2.6 million during the three months ended October 31, 2006. The decrease is primarily a result of interest expense on convertible securities in the three months ended October 31, 2006 that was not present in the three months ended October 31, 2007 as the securities were converted into shares of the Company's common stock in the fourth quarter of fiscal year 2007.

*Provision for Income Taxes.* The provision for income taxes was \$10.0 million in the three months ended October 31, 2007 compared to \$7.5 million in the three months ended October 31, 2006. The provision for income taxes in the current quarter reflects a 38% effective tax rate. The provision for income taxes for the same period in prior year reflects a 37% effective tax rate. The increase from the comparable quarter last year is a result of decreases in net operating losses that can be utilized in the current fiscal year and increases in reserves for planned cash repatriations from subsidiaries.

*Equity in Earnings of Unconsolidated Subsidiaries.* Equity in earnings of unconsolidated subsidiaries is comprised of our less than 50% interest in our Mexican subsidiaries. We report our interest in earnings or loss of our Mexican subsidiaries on the equity basis as a one-line adjustment to net income, net of taxes. Equity in earnings was \$0.9 million in the three months ended October 31, 2007 compared to \$0.8 million in the same period during the last fiscal year.

### **Six Months Ended October 31, 2007 Compared to Six Months Ended October 31, 2006**

*Fee Revenue.* Fee revenue increased \$72.7 million, or 24%, to \$381.2 million in the six months ended October 31, 2007 compared to \$308.5 million in the six months ended October 31, 2006. The improvement in fee revenue is attributable mainly to an 11% increase in the number of engagements billed within executive recruitment and an 18%, or \$30.9 million, increase in average fees from all regions. Exchange rates favorably impacted fee revenues by \$14.4 million in the current year.

*Executive Recruitment.* Executive recruitment fee revenue increased \$61.3 million, or 23%, to \$328.8 million due to an increase in the number of engagements billed, and a 15% increase in average fees, and \$7.8 million from the Lominger Entities. During the six months ended October 31, 2007, the number of executive recruitment engagements billed have increased by 11% as compared to the same period last year.

North America fee revenue increased \$26.7 million, or 17%, to \$182.2 million primarily due to an 11% increase in the number of engagements billed as well as a 6% increase in average fees as compared to last year. Overall revenue growth was driven by a more significant increase derived from the technology and industrial sectors offset by a decline in the consumer goods and financial services sectors. Exchange rates favorably impacted the revenue for North America by \$1.1 million in the current year.

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EMEA reported fee revenue of \$86.8 million, an increase of \$19.8 million, or 30%, compared to \$67.0 million in the same period last year. EMEA's increase in fee revenue was driven by a 14% increase in the number of engagements billed and an increase in average fees of 14%. The improved performance in existing offices in Germany, the Netherlands and the United Kingdom were the primary contributors to the increase in fee revenues. The financial services, technology and consumer goods sectors experienced the strongest growth over the prior year. Exchange rates favorably impacted EMEA fee revenue by \$6.6 million in the current year.

Asia Pacific fee revenue increased \$10.7 million, or 29%, to \$47.3 million, compared to the same period last year due to a 12% increase in the number of engagements billed and an increase in average fees of 16%. Australasia (Australia and New Zealand), the offices of Greater China (Hong Kong, Shanghai and Beijing), and India contributed approximately 40%, 30%, and 25%, respectively, to the increase in fee revenue. The financial services, technology, and consumer sectors experienced the largest increase in fee revenue over the same period in the prior year. Exchange rates favorably impacted fee revenue for Asia Pacific by \$2.3 million in the six months ended October 31, 2007.

South America reported fee revenue of \$12.6 million, an increase of \$4.1 million, or 48%, compared to the same period last year, of which \$1.3 million is attributable to the favorable impact of exchange rates. Overall engagements billed increased 2% and average fees increased 45% within the region compared to the same period in the prior year. The improved performance in existing offices in Brazil and Colombia were the primary contributors to the increase in fee revenue over the prior year.

*Futurestep.* Fee revenue increased \$11.4 million, or 28%, to \$52.4 million in the six months ended October 31, 2007 compared to \$41.0 million in the six months ended October 31, 2006. The improvement in Futurestep's fee revenue, reflected across all regions, is due to a 52% increase in average fees resulting from our continued strategic emphasis on larger outsourced recruiting solutions, partially offset by a 15% decline in number of engagements billed. Of the total increase in fee revenue, North America experienced the largest increase in fee revenue of \$4.2 million, or 27%, to \$19.6 million related to growth from Canada and the United States. Asia fee revenue increased \$3.7 million, or 37%, to \$13.6 million reflecting increased revenue from areas including RPO and individual searches. Europe fee revenue increased \$3.5 million, or 22%, to \$19.2 million, arising from increased business in France, Germany, Belgium and Italy and a migration to larger engagements offset by a decrease in Norway. Exchange rates favorably impacted fee revenue by \$3.2 million in the first six months of current year.

*Compensation and Benefits.* Compensation and benefits expense increased \$46.9 million, or 23%, to \$253.4 million in the six months ended October 31, 2007 from \$206.5 million the six months ended October 31, 2006. The increase in compensation and benefits expenses is primarily due to a 22% increase in global headcount compared to the same period last year, including a 21% increase in the average number of consultants, coupled with increased revenue-based awards. Exchange rates unfavorably impacted compensation and benefits expenses by \$9.4 million during the six months ended October 31, 2007.

Executive recruitment compensation and benefits costs of \$206.7 million in the six months ended October 31, 2007 increased \$37.0 million, or 22%, compared to \$169.7 million in the same period of prior year primarily due to consultants hired over the past year. During the six months ended October 31, 2007, the average number of consultants increased by 45, or 10%, compared to the same period last year. Exchange rates impacted executive recruitment compensation and benefits expense unfavorably by \$7.4 million. Executive recruitment compensation and benefits expenses as a percentage of fee revenue in the six months ended October 31, 2007, was 63%, and similar to the same period last fiscal year.

Futurestep compensation and benefits expense increased \$8.1 million, or 29%, to \$35.7 million from \$27.6 million in the same period in the prior year due to significant investments in our employees which increased Futurestep's average consultant headcount by 91% during the six months ended October 31, 2007 compared to the six months ended October 31, 2006. Exchange rates unfavorably impacted Futurestep compensation and benefits expense by \$2.0 million. Futurestep compensation and benefits expense, as a percentage of fee revenue, was 68% in the six months ended October 31, 2007 and 2006.

Corporate compensation and benefits expense increased \$1.8 million, or 20%, to \$10.9 million, primarily from increases in recognition of unearned deferred compensation balances in the current year compared to the same period in the prior year.

*General and Administrative Expenses.* General and administrative expenses increased \$13.3 million, or 25%, to \$65.9 million in the six months ended October 31, 2007 compared to \$52.6 million in the six months ended October 31, 2006. Exchange rates unfavorably impacted general and administrative expenses by \$2.9 million in the current year.

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Executive recruitment general and administrative expenses increased \$8.5 million, or 22%, from \$38.9 million during the six months ended October 31, 2006 to \$47.4 million in the current fiscal year. The increase was driven by increases in premise and office expense of \$3.9 million, \$2.2 million in business development expenses, \$1.8 million in bad debt expense and \$1.0 million in realized foreign exchange losses. Increased premise and office expense was attributable to all regions due to increased rent expense, total space leased and associated utility costs. Business development increased primarily due to the growth in the business. Bad debt expense increased in relation to an increase in the level of business and corresponding increase in revenues and accounts receivable balances. Executive recruitment general and administrative expenses, as a percentage of fee revenue, declined to 14% in current year from 15% in the same period in the prior year.

Futurestep general and administrative expenses increased \$2.9 million, or 35%, to \$11.3 million, primarily due to an increase in premise and office expense of \$0.9 million resulting from increases in rent expense noted across all regions and the opening of new offices in Europe and Asia. Other administrative expenses increased \$0.5 million resulting from an increase in travel and meeting expenses. Futurestep general and administrative expenses, as a percentage of fee revenue, increased to 22% in the current year from 21% in the same period in the prior year.

Corporate general and administrative expenses increased \$1.8 million, or 33%, to \$7.2 million primarily due to increased professional fees, travel and meetings and premise and office expenses related to additional office space.

*Out-of-Pocket Engagement Expenses.* Out-of-pocket engagement expenses consist of expenses incurred by candidates and our consultants that are generally billed to clients. In the six months ended October 31, 2007, out-of-pocket engagement expenses of \$28.4 million represent an increase of \$7.8 million, or 38%, over the same period in the prior year. Out-of-pocket engagement expenses increased to 8% as a percentage of fee revenue in the six months ended October 31, 2007 compared to 6% in the six months ended October 31, 2006.

*Depreciation and Amortization Expenses.* Depreciation and amortization expense of \$4.9 million in the six months ended October 31, 2007 increased \$0.2 million, or 4%, from the same period in the prior year. Depreciation expense relates mainly to computer equipment, software, furniture and leasehold improvements. The increase in depreciation expenses is attributable to an increase in fixed asset balances primarily associated with furniture and fixtures and leasehold improvements related to business expansion, office build-out and amortization of software costs that added new functionality in our corporate and executive search segments.

*Operating Income.* Operating income increased \$9.0 million, or 22%, to \$50.5 million in the six months ended October 31, 2007 compared to \$41.5 million in the same period in the prior year, resulting from increased revenue of \$77.2 million offset by a \$68.2 million increase in operating expenses, primarily compensation and benefits and general and administrative expenses, in the current year.

Executive recruitment operating income increased \$12.3 million, or 23%, to \$65.6 million in the six months ended October 31, 2007 compared to \$53.3 million in the six months ended October 31, 2006. The improvement in executive recruitment operating income is attributable to increased revenues offset by additional compensation expense relating to increased headcount and variable payouts, as discussed previously, as well as increased premise and other general administrative expense. The Lominger Entities contributed \$2.7 million, or 22%, of the total increase for the segment during the current year. Executive recruitment operating income as a percentage of fee revenue was 20% in the six months ended October 31, 2007 and October 31, 2006.

Futurestep operating income increased by \$0.7 million to \$3.6 million in the six months ended October 31, 2007 as compared to operating income of \$2.9 million in the six months ended October 31, 2006. The increase in Futurestep operating income is primarily due to a 52% increase in average fees during the six months ended October 31, 2007 compared to the same period in fiscal year 2007. Futurestep operating income, as a percentage of fee revenue, was 7% and remained unchanged in the current year compared to the same period last year.

*Interest Income and Other Income, Net.* Interest income and other income, net increased by \$0.5 million in the six months ended October 31, 2007 from \$4.2 million in the six months ended October 31, 2006. Interest and dividend income increased as a result of higher yields on larger balances of funds available for investment compared to prior year.

*Interest Expense.* Interest expense, primarily related to borrowings under COLI and convertible securities, was \$2.4 million in the six months ended October 31, 2007 compared to \$5.1 million during the six months ended October 31, 2006. The decrease is primarily a result of interest expense on convertible securities in the six months ended October 31, 2006 that was not present in the six months ended October 31, 2007 as the securities were converted into shares of the Company's common stock in the fourth quarter of fiscal year 2007.

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*Provision for Income Taxes.* The provision for income taxes was \$20.4 million in the six months ended October 31, 2007 compared to \$15.1 million in the six months ended October 31, 2006. The provision for income taxes in the current year reflects a 39% effective tax rate. The provision for income taxes for the same period in prior year reflects a 37% effective tax rate. The increase from the comparable period last year is a result of decreases in net operating losses that can be utilized in the current fiscal year and increases in reserves for planned cash repatriations from subsidiaries.

*Equity in Earnings of Unconsolidated Subsidiaries.* Equity in earnings of unconsolidated subsidiaries is comprised of our less than 50% interest in our Mexican subsidiaries. We report our interest in earnings or loss of our Mexican subsidiaries on the equity basis as a one-line adjustment to net income, net of taxes. Equity in earnings was \$1.8 million in the six months ended October 31, 2007 and October 31, 2006.

### **Liquidity and Capital Resources**

We believe that cash on hand, borrowings available under our credit facility and funds from operations will be sufficient to meet our anticipated working capital, debt service requirements, capital expenditures and general corporate requirements. However, adverse changes in our revenue could require us to cut costs and/or obtain financing to meet our cash needs. We are not aware of any trends, demands or commitments that would materially affect liquidity or those that relate to our resources.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements and have not entered into any transactions involving unconsolidated, limited purpose entities.

### **Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

As a result of our global operating activities, we are exposed to certain market risks, including foreign currency exchange fluctuations and fluctuations in interest. We manage our exposure to these risks in the normal course of our business as described below. We have not utilized financial instruments for trading, hedging or other speculative purposes nor do we trade in derivative financial instruments.

#### *Foreign Currency Risk*

Substantially all our foreign subsidiaries' operations are measured in their local currencies. Assets and liabilities are translated into U.S. dollars at the rates of exchange in effect at the end of each reporting period and revenue and expenses are translated at average rates of exchange during the reporting period. Resulting translation adjustments are reported as a component of comprehensive income on our consolidated Statement of Stockholders' Equity and accumulated other comprehensive income on our consolidated Balance Sheets.

Transactions denominated in a currency other than the reporting entity's functional currency may give rise to transaction gains and losses that impact our results of operations. Historically, we have not realized significant foreign currency gains or losses on such transactions. In the three and six months ended October 31, 2007, we recognized foreign currency losses, after income taxes, of \$0.3 million and \$0.6 million, respectively, primarily related to our North America operations.

Our primary exposure to exchange losses is based on outstanding intercompany loan balances denominated in U.S. dollars. If the U.S. dollar strengthened 15%, 25% and 35% against the Pound Sterling, the Euro, the Canadian dollar, the Australian dollar and the Yen, our exchange loss would have been \$2.0 million, \$3.3 million and \$4.6 million, respectively, based on outstanding balances at October 31, 2007. If the U.S. dollar weakened by the same increments against the Pound Sterling, the Euro, the Canadian dollar, the Australian dollar and the Yen, our exchange gain would have been \$2.0 million, \$3.3 million and \$4.6 million, respectively, based on outstanding balances at October 31, 2007.

#### *Interest Rate Risk*

We primarily manage our exposure to fluctuations in interest rates through our regular financing activities, which generally are short-term and provide for variable market rates. As of October 31, 2007, we had no outstanding balance on our credit facility. We have \$60.4 million of borrowings against the cash surrender value of COLI contracts as of October 31, 2007 bearing interest primarily at variable rates. The risk of fluctuations in these variable rates is minimized by the fact that we receive a corresponding adjustment to our borrowed funds crediting rate on the cash surrender value on our COLI contracts.

**Item 4.        *Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934, as amended (“Exchange Act”), Rules 13a-15(e) and 15d-15(e) under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting.

During the fiscal quarter ended October 31, 2007, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

## PART II. OTHER INFORMATION

### Item 1. *Legal Proceedings*

From time to time, we are involved in litigation both as plaintiff and defendant, relating to claims arising out of our operations that is ordinary, routine litigation incidental to the business. As of the date of this report, we are not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or results of operations.

### Item 1A. *Risk Factors*

In the Annual Report Form 10-K for the period ended April 30, 2007, the Company described material risk factors facing the business. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. As of the date of this report, there have been no material changes to risk factors described in our Annual Report Form 10-K for fiscal 2007.

### Item 2. *Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities*

During the three months ended October 31, 2007, the Company repurchased common stock under the common stock repurchase programs approved by the Board of Directors in December 2005, June 2006 and March 2007. Pursuant to these programs, shares can be repurchased in open market transactions or privately negotiated transactions at the Company's discretion.

	Shares Purchased	Average Price Paid Per Share	Shares Purchased as Part of a Publicly- Announced Program (1),(2),(3)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1),(2),(3)
August 1, 2007 - August 31, 2007	289,900	\$ 22.28	289,900	\$ 30.2 million
September 1, 2007 - September 30, 2007	872,932	\$ 17.14	869,399	\$ 15.3 million
October 1, 2007 - October 31, 2007	830,535	\$ 18.21	830,535	\$ —
Balance as of October 31, 2007	<u>1,993,367</u>		<u>1,989,834</u>	

- (1) On December 7, 2005, the Board of Directors approved the repurchase of up to \$50 million of the Company's common stock in a common stock repurchase program (the "2005 program"). The shares can be repurchased in open market transactions or privately negotiated transactions at the Company's discretion.
- (2) On June 8, 2006 the Board of Directors approved the repurchase of a further \$25 million of the Company's common stock in a common stock repurchase program (the "2006 program").
- (3) On March 6, 2007, the Board of Directors approved the repurchase of an additional \$50 million of the Company's common stock in a common stock repurchase program (the "2007 program")

### Item 3. *Defaults Upon Senior Securities*

Not applicable.

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

No matters were submitted to a vote of security holders during the second quarter of fiscal 2008.

### Item 5. *Other Information*

Not applicable.

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### **Item 6.      *Exhibits***

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1	Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, dated December 15, 1999, and incorporated herein by reference.
3.2	Certificate of Designations of 7.5% Convertible Preferred Stock, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, dated June 18, 2002, and incorporated herein by reference.
3.3	Amended and Restated Bylaws of the Company, filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K, dated July 29, 2002, and incorporated herein by reference.
10.1	Employment Agreement between the Company and Stephen J. Giusto dated as of October 10, 2007.
10.2	Form of Notice of Director Restricted Stock Unit Award and Form of Director Restricted Stock Unit Award Agreement.
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350.



**SIGNATURE**

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KORN/FERRY INTERNATIONAL

Date: December 10, 2007

By: /s/ STEPHEN J. GIUSTO

Stephen J. Giusto

Executive Vice President and Chief Financial Officer

**EMPLOYMENT AGREEMENT  
BETWEEN  
KORN/FERRY INTERNATIONAL  
AND  
STEPHEN J. GIUSTO**

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## EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of October 10, 2007, by and between KORN/FERRY INTERNATIONAL, a Delaware corporation with its principal offices in Los Angeles, California (the "Company"), and STEPHEN J. GIUSTO, an individual (the "Executive").

1. Employment. The Company agrees to employ Executive and Executive agrees to be employed by the Company upon the terms and conditions set forth in this Agreement.

2. At-Will Employment. Executive's employment under this Agreement will begin on November 1, 2007 (the "Start Date"), unless otherwise mutually agreed by the Company and Executive. Subject to compliance with this Agreement, the Company may terminate Executive's employment, with or without Cause (as defined in Section 6(i) of this Agreement), for any reason or no reason and with or without advance notice, upon a resolution adopted by a majority of the then-serving members of the Board other than Executive. Executive may terminate his employment at any time, for any or no reason, with or without Good Reason (as defined in Section 6(i) of this Agreement) upon thirty (30) days advance written notice to the Company.

3. Position, Duties and Responsibilities. Executive will serve as Executive Vice President and Chief Financial Officer with duties and responsibilities customary to such offices and shall report to the Company's Chief Executive Officer (the "CEO"). At the request of the CEO, Executive will serve as an officer or director of the Company's subsidiaries and other affiliates without additional compensation. Executive will devote substantially all of Executive's business time and attention to the performance of Executive's obligations, duties and responsibilities under this Agreement. Subject to Company policies applicable to senior executives generally, Executive may engage in personal, charitable, professional and investment activities to the extent such activities do not conflict or interfere with Executive's obligations to, or Executive's ability to perform the normal duties and functions of Executive pursuant to this Agreement.

The Company acknowledges and understands that, as of the effective date of this Agreement, Executive engages in the following non-profit, civic activities: (i) member of the board of trustees of Cate School; (ii) member of the Dean's Advisory Council for the Business School at Cal Poly; and (iii) member of the board of directors of the Orange County Chapter of the American Cancer Society. Upon approval of the Company, which will not be unreasonably withheld, Executive may also serve as a member of the board of directors and/or advisory boards of no more than two (2) for profit entities, provided that such entities are not engaged in business activities that are competitive with the Company.

4. Annual Compensation. In consideration of Executive's services to the Company pursuant to this Agreement, Executive's annual compensation shall be as follows:

(a) Base Salary. Executive shall be entitled to receive a base salary of \$33,333.33 per month (his "Base Salary") (\$400,000 on an annualized basis) (such annualized amount, his "Annual Base Salary"), paid in accordance with the Company's regular payroll practices. The CEO will review the level of Executive's Base Salary at least annually, beginning in July 2008. The CEO,

acting in its discretion, may increase (but may not decrease) Executive's Base Salary at any time, unless the CEO concludes that an across-the-board reduction in compensation is required for all executive officers of the Company, in which case Executive's compensation shall be ratably reduced.

(b) Annual Cash Incentive Award. Executive will participate in the Company's annual cash incentive plan established for senior executives with an annual target cash award equal to 100% of Executive's Annual Base Salary, with the ability to earn additional amounts up to a maximum cash award equal to 200% of Executive's Annual Base Salary. Executive's annual cash incentive award will be payable at such time as annual cash incentive awards are paid to executive officers generally, but not later than 120 days after the end of the fiscal year for which such award is earned. The annual performance targets for the cash award shall be set by the Board and/or the Compensation Committee of the Board (the "Compensation Committee") prior to the commencement of each fiscal year of the Company.

(c) Equity Incentive Program. Executive shall be awarded, subject to the approval of the Board, equity incentives with respect to shares of the Company's common stock ("Shares"), which shall be granted under the Korn/Ferry International Performance Award Plan, as the same may be amended from time to time. Such annual equity incentives shall be awarded at the same time annual option grants are awarded to the Company's other executive officers, beginning with grants attributable to performance for the firm's 2008 fiscal year. The terms of any equity incentives granted shall be set by the Board or the Compensation Committee. Initially:

(1) Executive shall be eligible to receive a grant of 17,000 shares of restricted stock subject to the discretion of and approval by the Board and /or Compensation Committee. Such grant will vest in three installments on the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> anniversary of the effective date of the grant, in each case subject to Executive's continuous employment with the Company. Other terms of such grant shall be set by the Board and/or the Compensation Committee.

(2) Executive shall be eligible to receive an award of performance shares ("Performance Shares"), with a target grant value of 100% of Executive's Annual Base Salary (as determined by the Board and/or the Compensation Committee) which will be earned at the end of, and based on the Company's performance during, a performance period of 3 years (the "Performance Period"). Other terms of such performance shares grant shall be set by the Board or the Compensation Committee.

(3) Executive shall be eligible to receive an annual grant of restricted stock, subject to the discretion of and approval of the Board and/or the Compensation Committee, with a target grant value of 100% of Executive's Annual Base Salary (as determined by the Board and/or the Compensation Committee). Such restricted stock will vest in four installments on the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> anniversary of the effective date of the grant, in each case subject to Executive's continuous employment with the Company. Other terms of such restricted stock grant shall be set by the Board and/or the Compensation Committee.

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## 5. Employee Benefit Programs and Perquisites.

(a) General. Executive will be entitled to participate in such retirement or pension plans, group health, long term disability and group life insurance plans, and any other welfare and fringe benefit plans, arrangements, programs and perquisites sponsored or maintained by the Company from time to time for the benefit of its senior executives generally, including four weeks paid vacation and three weeks paid sick leave.

(b) Reimbursement of Business Expenses. Executive is authorized to incur reasonable expenses in accordance with the Company's written policy in carrying out Executive's duties and responsibilities under this Agreement. The Company will promptly reimburse Executive for all such expenses that are so incurred upon presentation of appropriate vouchers or receipts, subject to the Company's expense reimbursement policies applicable to senior executive officers generally.

(c) Reimbursement of Country Club Dues. The Company will reimburse Executive for up to \$700 per month for all such expenses that are incurred upon presentation of appropriate vouchers or receipts, subject to the Company's expense reimbursement policies applicable to senior executive officers generally. The Company will also reimburse Executive for reasonable annual increases in such club dues.

(d) Car Allowance. The Company shall pay to Executive a car allowance of \$450 per month.

(c) Conditions of Employment. Executive's place of employment will be at the Company's corporate headquarters in Los Angeles, California, and the Company's offices in Orange County, California, subject to the need for reasonable business travel. The conditions of Executive's employment, including, without limitation, office space, office appointments, secretarial, administrative and other support, will be consistent with Executive's status as Chief Financial Officer of the Company.

## 6. Termination of Employment.

(a) Death. If Executive's employment with the Company terminates by reason of Executive's death, then the Company will pay to Executive's estate Executive's "Accrued Compensation" (as defined in Section 6(i)) within the time period permitted by applicable law, and all outstanding stock options and other equity-type incentives held by Executive (but expressly excluding Performance Shares) and all of Executive's benefits under the Executive Capital Accumulation Plan at the time of Executive's death will become fully vested and shall remain exercisable until (i) in the case of an option, incentive or benefit granted prior to the Start Date, until its originally scheduled expiration date; or (ii) in the case of an option, incentive or benefit granted after the Start Date, the earlier of (A) the date that is two (2) years after the date of Executive's death or (B) its originally scheduled expiration date. Additionally, Executive's estate shall be entitled to a pro rata portion of Executive's target annual cash incentive award established for the fiscal year in which Executive's employment terminates due to death (based on the proportion that the number of days of Executive's actual service to the Company during such fiscal year bears to the number of days in such fiscal year). Executive's estate shall also be entitled to receive the number of Performance Shares that would have been earned if

Executive had served the Company for the entire Performance Period and the Company's performance during such period had been the target performance for the Performance Period. To the extent Executive's covered dependent(s) continue to participate in the Company's group health plan(s) after Executive's death pursuant to COBRA, the Company will provide reimbursement of COBRA coverage premiums paid by Executive's covered dependent(s) so that such covered dependent(s) enjoy coverage at the same benefit level and to the same extent and for the same effective contribution, if any, as participation is available to other executive officers of the Company, for as long as such coverage is available under COBRA.

(b) Disability. If the Company terminates Executive's employment by reason of Executive's Disability (as defined in Section 6(i)), then the Company will pay to Executive his Accrued Compensation within the time period permitted by applicable law and all outstanding stock options and other equity-type incentives (but expressly excluding Performance Shares) held by Executive and all of Executive's benefits under the Executive Capital Accumulation Plan at Executive's termination date will become fully vested and shall remain exercisable until (i) in the case of an option, incentive or benefit granted prior to the Start Date, until its originally scheduled expiration date; or (ii) in the case of an option, incentive or benefit granted after the Start Date, the date that is the earlier of (A) two (2) years after the date Executive's employment terminates and (B) its original scheduled expiration date. Additionally, Executive shall be entitled to a pro rata portion of Executive's target annual cash incentive award established for the fiscal year in which Executive's employment terminates due to disability (based on the proportion that the number of days during such fiscal year prior to the date of termination bears to the number of days in such fiscal year). Executive shall also be entitled to receive the number of Performance Shares that would have been earned if Executive had served the Company for the entire Performance Period and the Company's performance during such period had been the target performance for the Performance Period. To the extent Executive and/or Executive's covered dependent(s) continue to participate in the Company's group health plan(s) pursuant to COBRA after Executive's termination of employment by reason of Disability, the Company will provide reimbursement of COBRA coverage premiums paid by Executive and Executive's dependent(s) so that Executive and Executive's covered dependent(s) enjoy coverage at the same benefit level and to the same extent and for the same effective contribution, if any, as participation is available to other executive officers of the Company, for as long as such coverage is available under COBRA.

(c) Termination by the Company for Cause or Voluntary Termination by Executive. If (i) the Company terminates Executive's employment for Cause (as defined in Section 6(i)), or (ii) Executive voluntarily terminates Executive's employment without Good Reason (as defined in Section 6(i)), then the Company shall pay to Executive Executive's Accrued Compensation through the date Executive's employment terminates within the time period permitted by applicable law.

(d) Termination by the Company Without Cause or by Executive for Good Reason Prior to Change in Control or More Than 12 Months After a Change in Control. If Executive's employment is terminated prior to a "Change in Control" (as defined in Schedule A), or more than 12 months after the date on which a Change in Control occurs, (i) by the Company without Cause



and for a reason other than Executive's Death or Disability, or (ii) by Executive for Good Reason, then the Company shall pay to Executive within the time period permitted by applicable law Executive's Accrued Compensation and a pro rata portion of Executive's target annual cash incentive award established for the fiscal year in which Executive's employment terminates (based on the number of days of Executive's actual service to the Company during such fiscal year), and

(1) the Company shall pay to Executive, in the aggregate, cash payments equal to the sum of one (1) time Executive's then current Annual Base Salary and one (1) time Executive's target bonus, payable in equal monthly installments over a period of twelve (12) months after the date Executive's employment terminates;

(2) for up to eighteen (18) months after such termination, to the extent Executive and/or Executive's covered dependent(s) continue to participate in the Company's group health plan(s) pursuant to COBRA after Executive's termination of employment, the Company will provide reimbursement of COBRA coverage premiums paid by Executive and Executive's covered dependent(s) so that Executive and Executive's covered dependent(s) enjoy coverage at the same benefit level and to the same extent and for the same effective contribution, if any, as participation is available to other executive officers of the Company;

(3) all outstanding stock options and other equity-type incentives held by Executive and all of Executive's benefits under the Executive Capital Accumulation Plan at the time of Executive's termination (but expressly excluding Performance Shares) that would have vested in the twelve (12) months following the date Executive's employment terminates (in each case, as if such options, incentives and benefits permitted proportionate vesting in monthly increments rather than any longer increment) will become fully vested as of the date Executive's employment terminates and shall remain exercisable until (A) in the case of an option, incentive or benefit granted prior to the Start Date, until its originally scheduled expiration date or (B) in the case of an option, incentive or benefit granted after the Start Date, the date that is the earlier of (x) two (2) years after the date Executive's employment terminates and (y) its originally scheduled expiration date; and

(4) Executive shall receive a number of Performance Shares equal to the product of (A) the Performance Shares that would have been earned if Executive had served the Company for the entire Performance Period and the Company's performance during such period had been the target performance for the Performance Period, and (B) a fraction, (x) the numerator of which fraction shall be the sum of (i) the number of days of Executive's employment during the Performance Period and (ii) 365 (provided that the numerator shall not exceed the number of days in the Performance Period) and (y) the denominator of which fraction shall be the number of days in the Performance Period.

(e) Following a Change in Control, Termination by the Company Without Cause or by Executive for Good Reason If a Change in Control occurs and, within 12 months after the date on which the Change in Control occurs, Executive's employment is terminated (i) by the Company without Cause or (ii) by Executive for Good Reason, then the Company shall pay to Executive within the time period permitted by applicable law Executive's Accrued Compensation and a pro rata portion of Executive's target annual cash incentive award established for the fiscal year in which Executive's employment terminates (based on the number of days of Executive's actual service to the Company during such fiscal year), and

(1) the Company shall pay to Executive, in the aggregate, cash payments equal to the sum of one and one-half times Executive's then current Annual Base Salary and one and one-half times Executive's target bonus, payable in equal monthly installments over a period of twelve (12) months after the date Executive's employment terminates;

(2) for up to eighteen (18) months after such termination, to the extent Executive and/or Executive's covered dependent(s) continue to participate in the Company's group health plan(s) pursuant to COBRA after Executive's termination of employment, the Company will provide reimbursement of COBRA coverage premiums paid by Executive and Executive's dependent(s) so that Executive and Executive's covered dependent(s) enjoy coverage at the same benefit level and to the same extent and for the same effective contribution, if any, as participation is available to other executive officers of the Company; for the six (6) months thereafter, if continuing coverage under the Company's group health plan(s) is not available under COBRA, upon the written request of Executive at any time prior to or during such six (6) month period, the Company will seek to secure continuing coverage for Executive and/or Executive's covered dependent(s) under the Company's group health plan(s), or if such coverage is unavailable, substantially similar coverage through an alternative health plan provider, and in either case, if such coverage is obtained, the Company will reimburse Executive and Executive's covered dependent(s) for a portion of the cost of such coverage equal to the amount that the Company would have paid Executive and Executive's covered dependents had Executive and Executive's covered dependent(s) been eligible for COBRA coverage and the Company was obligated to provide reimbursement of COBRA coverage premiums paid by Executive and Executive's dependent(s) so that Executive and Executive's covered dependent(s) could enjoy coverage at the same benefit level and to the same extent and for the same effective contribution, if any, as participation is available to other executive officers of the Company;

(3) all outstanding stock options and other equity-type incentives held by Executive and all of Executive's benefits under the Executive Capital Accumulation Plan at the time of Executive's termination (but expressly excluding Performance Shares) will become fully vested and shall remain exercisable until (A) in the case of an option, incentive or benefit granted prior to the Start Date, until its originally scheduled expiration date or (B) in the case of an option, incentive or benefit granted after the Start Date, the date that is the earlier of (x) two (2) years after the date Executive's employment terminates and (y) its originally scheduled expiration date;

(4) Executive shall receive a number of Performance Shares equal to the product of (A) the Performance Shares that would have been earned if Executive had served the Company for the entire Performance Period and the Company's performance during such period had been the Company's actual performance for the entire Performance Period, and (B) a fraction, (x) the numerator of which fraction shall be the number of days between the start of the Performance Period and the effective date of the Change in Control and (y) the denominator of which fraction shall be the number of days in the Performance Period.

(5) Executive shall receive a number of Performance Shares equal to the product of (A) the Performance Shares that would have been earned if Executive had served the Company for the entire Performance Period and the Company's

performance during such period had been the target performance for the Performance Period, and (B) a fraction, (x) the numerator of which fraction shall be the number of days between the effective date of the Change in Control and the end of the Performance Period and (y) the denominator of which fraction shall be the number of days in the Performance Period.

(f) Certain Additional Payments by the Company.

(1) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its affiliated entities) or any entity which effectuates a Change in Control (or any of its affiliated entities) to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 6(f)) (the "Payments") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Company shall pay to Executive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any Excise Tax) imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Gross-Up Payment is to be made and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In the event that no Excise Tax is applicable, this Section 6(f) shall not be applicable.

(2) Notwithstanding the foregoing, the Gross-Up Payment described in subsection (1) shall not be paid to Executive if the aggregate Parachute Value (as defined below) of all Payments does not exceed one hundred ten percent (110%) of the Safe Harbor Amount (as defined below). In such an instance, the Payments to which Executive would otherwise become entitled will instead be reduced (but not below zero) so that the aggregate present value of the Payments under this Agreement shall equal the Reduced Amount (as defined below). Unless the Employee shall have elected another method of reduction by written notice to the Company prior to the Change in Control, the Company shall reduce the Payments under this Agreement by first reducing Payments that are payable in cash and then by reducing Payments that are not payable in cash. Only amounts payable under this Agreement shall be reduced pursuant to this subsection (2). The "Parachute Value" of a Payment is the present value as of the date of the Change in Control of the portion of the Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Auditor (as defined below) in accordance with such section of the Code. The "Safe Harbor Amount" is the maximum dollar amount of payments in the nature of compensation that are contingent on a Change in Control (as described in Section 280G of the Code) and that may be paid or distributed to Executive without the imposition of the Excise Tax. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any such Payment to be subject to the Excise Tax, as determined in accordance with Section 280G(d)(4) of the Code.

(3) The determinations to be made with respect to this Section 6(f) shall be made by an accounting firm (the Auditor) jointly selected by the Company and Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm that has not during the two years preceding the date of its selection acted in any way on behalf of the Company or any of its subsidiaries. If Executive and the Company cannot agree on the firm to serve as the Auditor, then Executive and the Company shall each select one such accounting firm and those two firms shall jointly select such an accounting firm to serve as the Auditor. Any Gross-Up Payment under this Section 6(f) with respect to any Payments shall be made no later than thirty (30) days following such Payment. If the Auditor determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on Executive's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. If the Auditor determines that the aggregate Parachute Value of all Payments does not exceed one hundred ten percent (110%) of the Safe Harbor Amount, it shall furnish Executive with a written opinion to such effect, and a statement of the reduction in Payments that shall be made to provide Executive with the Reduced Amount. The determinations by the Auditor shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the determination, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") or Gross-Up Payments are made by the Company which should not have been made ("Overpayment"), consistent with the calculations required to be made hereunder. In the event that the Executive thereafter is required to make payment of any Excise Tax or additional Excise Tax, the Auditor shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for the benefit of Executive. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse the Executive for his or her Excise Tax, the Auditor shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by Executive (to the extent he or she has received a refund if the applicable Excise Tax has been paid to the Internal Revenue Service) to or for the benefit of the Company. Executive shall cooperate, to the extent his or her expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax. In the event that the Auditor determines that the value of any accelerated vesting of stock options held by Executive shall be redetermined within the context of Treasury Regulation §1.280G-1 Q/A 33 (the "Option Redetermination"), Executive shall (i) file with the Internal Revenue Service an amended federal income tax return that claims a refund of the overpayment of the Excise Tax attributable to such Option Redetermination and (ii) promptly pay the refunded Excise Tax to the Company; provided that the Company shall pay all reasonable professional fees incurred in the preparation of Executive's amended federal income tax return.

(g) Other Programs. Except as otherwise provided in this Agreement, Executive's entitlements under applicable plans and programs of the Company following termination of Executive's employment will be determined under the terms of those plans and programs.

(h) Conditions to Receipt of Benefits Under Section 6. Notwithstanding anything in this Agreement to the contrary, other than the payment of Executive's Accrued Compensation through the date of termination of Executive's employment, Executive shall not be entitled to any payments or benefits under this Section 6 shall unless and until Executive (or the representative of Executive's estate, in the case of termination due to Executive's death), executes and delivers to the Company, within thirty (30) days of the date of termination of Executive's employment, a unilateral general release of all known and unknown claims against the Company and its officers, directors, employees, agents and affiliates in a form acceptable to the Company, and such release becomes fully effective and irrevocable under applicable law. Additionally, Executive shall not be entitled to payments and benefits under this Section 6 on or after the date, if any, during the twelve (12) months following the date Executive's employment terminates (the "Restricted Period"), that Employee (1) breaches or otherwise fails to comply with any of Executive's obligations under Section 9(a) (Nondisclosure of Confidential Information) or Section 10 (Nonsolicitation) under this Agreement, or (2) Executive elects to, directly or indirectly, (a) own, manage, operate, sell, control or participate in the ownership, management, operation, sales or control of any of the following: Heidrick & Struggles, Manpower, Kelly Services, Spencer Stuart, Russell Reynolds, Egon Zender and/or Spherion (each a "Listed Entity") provided that the foregoing shall not be applicable to the ownership of not more than 1% of the publicly traded equity securities of any of the foregoing or to the indirect ownership of any of the foregoing through the ownership of mutual funds; or (b) request or advise any of the clients, vendors or other business contacts of the Company with which Executive had contact while employed by the Company to withdraw, curtail, cancel or not increase their business with the Company. Executive agrees to notify the Company of each employment or consulting engagement he accepts during the Restricted Period (including the name and address of the hiring party) and will, upon request by the Company, describe in reasonable detail the nature of his duties in each such position.

(i) Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth herein:

(1) "Accrued Compensation" means, as of any date, the amount of any unpaid Base Salary and annual cash incentive award earned by Executive through the date of Executive's death or the termination of Executive's employment, plus any additional amounts and/or benefits payable to or in respect of Executive under and in accordance with the provisions of any employee plan, program or arrangement under which Executive is covered immediately prior to Executive's death, disability or the termination of Executive's employment (it being understood and agreed that no portion of the annual cash incentive award described in Section 4(b) shall be deemed earned unless Executive was employed with the Company as of the last day of the fiscal year to which such award applies).

(2) "Cause" shall mean (a) conviction of any felony or other crime involving fraud, dishonesty or acts of moral turpitude or pleading guilty or nolo contendere to such charges, or (b) reckless or intentional behavior or conduct that causes or is reasonably likely to cause the Company material harm or injury or exposes or is reasonably likely to expose

the Company to any material civil, criminal or administrative liability, or (c) any material misrepresentation or false statement made by Executive in any application for employment, employment history, resume or other document submitted to the Company, either before, during or after employment. Prior to terminating the Executive for Cause, the Company shall be required to provide Executive with 90 days advanced written notice of its intention to terminate Executive for Cause, but Executive shall be permitted to cure any performance deficiencies during such 90 day period (if the termination is not due to performance deficiencies, then the Company is permitted to put Executive on paid leave during such 90 day period).

(3) "Disability" means any medically determinable physical or mental condition or impairment which prevents Executive from performing the principal functions of Executive's duties with the Company that can be expected to result in death or that has lasted or can be expected to last for a period of 90 consecutive days or for shorter periods aggregating 180 days in any consecutive 12 month period, with such determination to be made by an approved medical doctor. For this purpose, an approved medical doctor shall mean a medical doctor selected by the Company and Executive. If the parties cannot agree on a medical doctor, each party shall select a medical doctor and the two doctors shall select a third medical doctor who shall be the approved medical doctor for this purpose.

(4) Executive shall be deemed to have "Good Reason" to terminate his employment hereunder if, without Executive's prior written consent, (A) the Company materially reduces Executive's duties or responsibilities as Chief Financial Officer or assigns Executive duties which are materially inconsistent with his duties or which materially impair Executive's ability to function as Chief Financial Officer, or (B) the Company reduces Executive's then current Base Salary or target award opportunity under the Company's annual cash incentive bonus plan or annual stock option award program, or terminates or materially reduces any employee benefit or perquisite enjoyed by Executive (in each case, other than as part of an across-the-board reduction applicable to all executive officers of the Company), or (C) the Company fails to perform or breaches its obligations under any other material provision of this Agreement, or (D) Executive's primary location of business is moved by more than 100 miles, or (E) the Company reduces Executive's title of Chief Financial Officer or removes him, or (F) the Company fails to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale or similar transaction. Prior to terminating for Good Reason, the Executive shall be required to provide the Company with 30 days advanced written notice of his intention to terminate employment for Good Reason, but the Company shall be permitted to cure any events giving rise to such Good Reason during such 30 day period.

7. Application of Section 409A. Notwithstanding any inconsistent provision of this Agreement, to the extent the Company determines in good faith that (a) one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement in connection with Executive's termination of employment would constitute deferred compensation subject to the rules of Internal Revenue Code Section 409A ("Section 409A"), and (b) that Executive is a "specified employee" under Section 409A, then only to the extent required to avoid the Executive's incurrence of any additional tax or interest under Section 409A, such payment or benefit will be delayed until the date which is six (6) months after Executive's "separation from service" within the meaning of Section 409A. The Company and Executive agree to negotiate in good faith to reform any provisions of this Agreement to maintain

to the maximum extent practicable the original intent of the applicable provisions without violating the provisions of Section 409A, if the Company deems such reformation necessary or advisable pursuant to guidance under Section 409A to avoid the incurrence of any such interest and penalties. Such reformation shall not result in a reduction of the aggregate amount of payments or benefits under this Agreement, nor the obligation of the Company to pay interest on any payments delayed for the purposes of avoiding a violation of Section 409A.

8. No Mitigation; No Offset. Executive will have no obligation to seek other employment or to otherwise mitigate the Company's obligations to Executive arising from the termination of Executive's employment, and no amounts paid or payable to Executive by the Company under this Agreement shall be subject to offset for any remuneration in which Executive may become entitled from any other source after Executive's employment with the Company terminates, whether attributable to subsequent employment, self-employment or otherwise except that subsequent employment during the term of this Agreement with an employer providing benefit plans shall result in an offset against benefits payable by the Company hereunder to the extent of the benefits paid by the new employer.

9. Confidential Information; Cooperation with Regard to Litigation.

(a) Nondisclosure of Confidential Information. During Executive's employment and thereafter, Executive will not, without the prior written consent of the Company, disclose to anyone (except in good faith in the ordinary course of business to a person who, to Executive's knowledge, is obligated to keep such information confidential) or make use of any Confidential Information (as defined below) except in the performance of Executive's duties hereunder or when required to do so by legal process, by any governmental agency having supervisory authority over the business of the Company or any of its Affiliates (as defined below) or by any administrative or legislative body (including a committee thereof) that requires Executive to divulge, disclose or make accessible such information. If Executive is so ordered, to divulge Confidential Information, he will give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such order.

(b) Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" means information concerning the business of the Company or any corporation or other entity that, directly or indirectly, controls, is controlled by or under common control with the Company (an "Affiliate") relating to any of its or their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of Confidential Information is information (1) that is or becomes part of the public domain, other than through the breach of this Agreement by Executive or (2) regarding the Company's business or industry properly acquired by Executive in the course of Executive's career as an executive in the Company's industry and independent of Executive's employment by the Company. For this purpose, information known or available generally within the trade or industry of the Company or any Affiliate shall be deemed to be known or available to the public and not to be Confidential Information.

(c) Cooperation in Litigation. Executive will cooperate with the Company, during Executive's employment (and following Executive's termination of employment for any reason for a period of two years thereafter), by making Executive reasonably

available to testify on behalf of the Company or any Affiliate in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to reasonably assist the Company or any such Affiliate in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company or any such Affiliate, as reasonably requested; provided, however, that the same does not materially interfere with Executive's then current professional activities. The Company will reimburse Executive for all expenses reasonably incurred by Executive in connection with Executive's provision of testimony or assistance (including the fees of any counsel that may be retained by Executive) and if such assistance is provided after Executive's termination of employment, will pay Executive a per diem rate of \$2,000.

10. Nonsolicitation. Executive shall not induce or solicit, directly or indirectly, any employee of or consultant to the Company or any Affiliate to terminate such person's employment or consulting engagement with the Company or any Affiliate during Executive's employment under this Agreement and for a period of 12 months following the termination of Executive's employment under this Agreement.

11. Remedies. If Executive commits a material breach of any of the provisions contained in Sections 9 and 10 above, then the Company will have the right to seek injunctive relief. Executive acknowledges that such a breach of Section 9 or 10 could cause irreparable injury and that money damages may not provide an adequate remedy for the Company. Nothing contained herein will prevent Executive from contesting any such action by the Company on the ground that no violation or threatened violation of either such Section has occurred.

12. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof or questioning the validity and binding effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Section 11, shall be resolved by binding arbitration, to be held in Los Angeles, California in accordance with the rules and procedures of the JAMS. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. All costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be borne by the respective party incurring such costs and expenses, but the Company shall reimburse Executive for all reasonable costs and expenses by Executive if Executive substantially prevails in such arbitration or court proceeding. Notwithstanding the foregoing, if any applicable law requires different or additional rules or procedures to be applied in order for this Agreement to arbitrate to be enforceable, or prohibits any expense allocation provided herein, such rules or procedures shall take precedence and such prohibitions shall be a part of this Agreement to the extent necessary to render this Agreement enforceable.

13. Indemnification.

(a) Company Indemnity. If Executive is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or any Affiliate or was serving at the request of the Company or any Affiliate as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with



respect to employee benefit plans, whether or not the basis of such Proceeding is Executive's alleged action in an official capacity while serving as a director, officer, member, employee or agent, then the Company will indemnify Executive and hold Executive harmless to the fullest extent legally permitted or authorized by the Company's articles of incorporation, certificate of incorporation or bylaws or resolutions of the Company's Board to the extent not inconsistent with state laws, against all costs, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Executive in connection therewith, except to the extent attributable to Executive's gross negligence or fraud, and such indemnification shall continue as to Executive even if he has ceased to be a director, member, officer, employee or agent of the Company or Affiliate and shall inure to the benefit of Executive's heirs, executors and administrators. The Company will advance to Executive all reasonable costs and expenses to be incurred by Executive in connection with a Proceeding within 20 days after receipt by the Company of a written request for such advance. Such request shall include an undertaking by Executive to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses. The provisions of this section shall not be deemed exclusive of any other rights of indemnification to which Executive may be entitled or which may be granted to Executive and shall be in addition to any rights of indemnification to which he may be entitled under any policy of insurance.

(b) No Presumption Regarding Standard of Conduct. Neither the failure of the Company (including its Board, independent legal counsel or shareholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Executive under the preceding subsection (a) of this section that indemnification of Executive is proper because Executive has met the applicable standard of conduct, nor a determination by the Company (including its Board, independent legal counsel or shareholders) that Executive has not met such applicable standard of conduct, shall create a presumption that Executive has not met the applicable standard of conduct.

(c) Liability Insurance. The Company will continue and maintain a directors and officers liability insurance policy covering Executive to the extent the Company provides such coverage for its other senior executive officers.

14. Effect of Agreement on Other Benefits. Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to preclude, prohibit or restrict Executive's participation in any other employee benefit or other plans or programs in which he currently participates.

15. Expenses of Counsel for Executive. The Company and Executive will each bear their own respective legal and other expenses incurred in connection with the negotiation, execution and delivery of this Agreement.

16. Assignment; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (in the case of Executive) and permitted assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred to

the successor of the Company or its business if the assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than Executive's rights to compensation and benefits, which may be transferred only by will or operation of law, except as otherwise specifically provided or permitted hereunder.

17. Representations. The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any Agreement between it and any other person, firm or organization. Executive represents and warrants that there is no legal or other impediment which would prohibit Executive from entering into this Agreement or which would prevent Executive from fulfilling Executive's obligations under this Agreement.

18. Entire Agreement. This Agreement contains the entire understanding and agreement between the parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto.

19. Amendment or Waiver. No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by Executive and an authorized officer of the Company. Except as set forth herein, no delay or omission to exercise any right, power or remedy accruing to any party shall impair any such right, power or remedy or shall be construed to be a waiver of or an acquiescence to any breach hereof. No waiver by either party of any breach by the other party of any condition or provision contained in this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.

20. Severability. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

21. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

22. Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative.

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23. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of California without reference to principles of conflict of laws.

24. Counterparts and Facsimile. This Agreement may be executed in any number of counterparts, each such counterpart shall be deemed to be an original instrument, and all such counterparts together shall constitute but one agreement. Any such counterpart may contain one or more signature pages. A copy of this Agreement executed by any party and transmitted by facsimile shall be binding upon the parties as if executed and delivered in person.

25. Notices. Any notice given to a party shall be in writing and shall be deemed to have been given when delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned at the address of the party indicated below or to such changed address as such party may subsequently give such notice of:

If to the Company: KORN/FERRY INTERNATIONAL  
1900 Avenue of the Stars, Suite 2600  
Los Angeles, CA 90067  
Attention: Corporate Secretary

If to Executive:

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IN WITNESS WHEREOF, the undersigned have executed this Employment Agreement on the date first above written.

The Company:

KORN/FERRY INTERNATIONAL

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By: Gary D. Burnison  
Its: Chief Executive Officer

Executive:

STEPHEN J. GIUSTO

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## SCHEDULE A

### DEFINITION OF CHANGE IN CONTROL

For purposes of the foregoing Agreement, a "Change in Control" shall mean any of the following:

(a) an acquisition by any Person (excluding one or more Excluded Persons) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) or a pecuniary interest (as defined in Section 16a-1(a)(2) of the Exchange Act) in (either comprising "ownership of") more than 30% of the Common Stock of the Company or voting securities entitled to then vote generally in the election of directors ("Voting Stock") of the Company, after giving effect to any new issue in the case of an acquisition from the Company; or

(b) approval by the shareholders of the Company of a plan, or the consummation, of merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company's consolidated assets as an entirety (collectively, a "Business Combination"), other than a Business Combination (1) in which all or substantially all of the holders of Voting Stock of the Company hold or receive directly or indirectly 70% or more of the Voting Stock of the entity resulting from the Business Combination (or a parent company), and (2) after which no Person (other than any one or more of the Excluded Persons) owns more than 30% of the Voting Stock of the resulting entity (or a parent company) who did not own directly or indirectly at least that percentage of the Voting Stock of the Company immediately before the Business Combination, and (3) after which one or more Excluded Persons own an aggregate amount of Voting Stock of the resulting entity owned by any Persons who (i) own more than 5% of the Voting Stock of the resulting entity, (ii) are not Excluded Persons, (iii) did not own directly or indirectly at least the same percentage of the Voting Stock of the Company immediately before the Business Combination, and (iv) in the aggregate own more than 30% of the Voting Stock of the resulting entity; or

(c) approval by the Board of Directors of the Company and (if required by law) by shareholders of the Company of a plan to consummate the dissolution or complete liquidation of Korn/Ferry International; or

(d) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new directors (excluding any new director designated by a person who has entered into an agreement or arrangement with Korn/Ferry International to effect a transaction described in clause (a) or (b) of this definition) whose appointment, election, or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved (all such directors, "Incumbent Directors"), cease for any reason to constitute a majority of the Board; provided that for purposes of this clause (d), any directors elected at any time during 1999 shall be deemed to be Incumbent Directors.

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Notwithstanding the above provisions in this Schedule A, no Change in Control shall be deemed to have occurred if a Business Combination, as described in paragraph (b) above, is effected and a majority of the Incumbent Directors, through the adoption of a Board resolution, determines that, in substance, no Change in Control has occurred.

The “Company” means Korn/Ferry International, a Delaware corporation, its successors, and/or its Subsidiaries, as the context requires.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Excluded Person” means

- (i) the Company; or
- (ii) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act; or
- (iii) any employee benefit plan of the Company; or
- (iv) any affiliates (within the meaning of the Exchange Act), successors, or heirs, descendants or members of the immediate families of the individuals identified in party (b) of this definition.

“Person” means an organization, a corporation, an individual, a partnership, a trust or any other entity or organization, including a governmental entity and a “person” as that term is used under Section 13(d) or 14(d) of the Exchange Act.

## KORN/FERRY INTERNATIONAL PERFORMANCE AWARD PLAN

NOTICE OF DIRECTOR RESTRICTED STOCK UNIT AWARD

Grantee's Name: «First\_Name» «Last\_Name»

You have been granted Restricted Stock Units (the "Units" or individually a "Unit") payable in shares of Common Stock of the Company (the "Shares"), subject to the terms and conditions of this Notice of Director Restricted Stock Unit Award (the "Notice"), the Korn/Ferry International Performance Award Plan, as amended from time to time (the "Plan") and the Director Restricted Stock Unit Award Agreement (the "Agreement") attached hereto. Capitalized terms used in this Notice and not otherwise defined shall have the same meanings as set forth in the Plan.

Date of Award «Grant\_Date»

Total Number of Units Awarded «NUMBER\_OF\_UNITS\_To\_nearest\_10»

Vesting Schedule:

Subject to the Grantee's continued service as a member of the Board and other limitations set forth in this Notice, the Agreement and the Plan, the Units will "vest" in accordance with the following schedule:

100% of the Total Number of Units Awarded shall vest on the day before the next annual meeting of the Company's stockholders that follows the Grant Date.

For each Unit that vests in accordance with the terms hereof, one Share shall be issuable to the Grantee following the vesting of such Unit (subject to any election to defer payment by the Grantee as provided in Section 6 of the Agreement). The Grantee shall not acquire or have any rights as a stockholder of the Company by virtue of the Agreement (or the Award evidenced hereby) until the Shares issuable pursuant to this Award are actually issued and delivered to the Grantee in accordance with the terms of the Plan and the Agreement. No fractional Shares shall be issued with respect to the vesting of the Units. Notwithstanding the foregoing, the Units subject to this Notice will be subject to accelerated vesting and payment in the event of a Change in Control Event as provided in Section 7(b) of this Agreement.

Termination of Employment; Forfeiture:

Vesting shall cease upon the date of termination of the Grantee's continued service as a member of the Board for any reason, including death or Total Disability. If the Grantee's continued service as a Board member terminates for any reason when the Grantee holds any unvested Units, such unvested Units shall be forfeited and no Shares shall be issued with respect to such forfeited Units.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice, the Plan, and the Agreement.

Korn/Ferry International  
a Delaware corporation



By:  
Gary D. Burnison

Title: Chief Executive Officer and Director



THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE UNITS SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF GRANTEE'S CONTINUED SERVICE AS A DIRECTOR OF THE COMPANY (NOT THROUGH THE ACT OF BEING ELECTED OR APPOINTED, BEING GRANTED THIS AWARD OR ACQUIRING UNITS HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF GRANTEE'S SERVICE WITH THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH THE COMPANY'S RIGHT TO INCREASE OR DECREASE THE COMPENSATION OF THE GRANTEE FROM THE RATE IN EXISTENCE AT ANY TIME.

The Grantee acknowledges receipt of a copy of the Plan and the Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice, the Agreement and the Plan. The Grantee hereby agrees that all disputes arising out of or relating to this Notice, the Plan and the Agreement shall be resolved in accordance with Sections 12 and 17 of the Agreement. The Grantee further agrees to notify the Company upon any change in the residence address indicated in this Notice.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

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**KORN/FERRY INTERNATIONAL PERFORMANCE AWARD PLAN**

**DIRECTOR RESTRICTED STOCK UNIT AWARD AGREEMENT**

1. Grant of Units. Korn/Ferry International, a Delaware corporation (the “Company”), hereby awards to the Grantee (the “Grantee”) named in the Notice of Director Restricted Stock Unit Award (the “Notice”), the Total Number of Restricted Stock Units (the “Units” or individually a “Unit”) payable in shares of Common Stock of the Company (the “Shares”) as set forth in the Notice, subject to the Notice, this Director Restricted Stock Unit Award Agreement (this “Agreement”) and the terms and provisions of the Company’s Performance Award Plan, as amended from time to time (the “Plan”), which is incorporated herein by reference. Capitalized terms used in this Notice and not otherwise defined shall have the same meanings as set forth in the Plan.

2. Consideration. The Units have been granted to the Grantee principally for past services and in consideration for past services and continued service with the Company.

3. Transfer Restrictions. Except as expressly provided in Section 1.9 of the Plan, the Units granted to the Grantee hereunder, and the Shares subject thereto (and any right or interest therein), may not be sold, transferred by gift, pledged, hypothecated, or otherwise transferred or disposed of by the Grantee prior to the issuance of Shares pursuant to Section 6. Any attempt to transfer Units or Shares in violation of this Section 3 will be null and void and will be disregarded.

4. Termination of Employment; Forfeiture. Vesting shall cease upon the date of termination of the Grantee’s continued service as a member of the Board for any reason, including death or Total Disability. If the Grantee’s continued service as a Board member terminates for any reason when the Grantee holds any unvested portion of the Units, such unvested Units shall be forfeited as of the applicable termination date without payment of any Shares or any other consideration by the Company and without any other action by the Grantee, or the Grantee’s beneficiary or personal representative, as the case may be.

5. Dividend and Voting Rights.

(a) Limitations on Rights Associated with Units. The Grantee shall have no rights as a stockholder of the Company, no dividend rights (except as expressly provided in Section 5(b) with respect to dividend equivalent rights) and no voting rights, with respect to the Units and any Shares underlying or issuable in respect of such Units until such Shares are actually issued to and held of record by the Grantee. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the Shares.

(b) Dividend Equivalent Rights Distributions. As of any date that the Company pays an ordinary cash dividend on its Common Stock, the Company shall pay the Grantee an amount equal to the per-share cash dividend paid by the Company on its Common Stock on such date multiplied by the number of Units remaining subject to this Award as of the related dividend

payment record date. No such payment shall be made with respect to any Units which, as of such record date, have either been paid pursuant to Section 6 or forfeited pursuant to Section 4.

6. Timing and Type of Payment. The Company shall issue to the Grantee one Share for each Unit that vests pursuant to the terms of this Agreement as soon as practicable after the vesting date. Notwithstanding the foregoing sentence, the Grantee may elect, on a form and in a manner prescribed by the Committee, to defer any such payment of vested Units, provided that such election must be made prior to the time the Award is granted and any such deferral of payment must comply with any applicable requirements of Section 409A of the Code. The Grantee shall have no further rights with respect to any Units that are so paid or that terminate pursuant to Section 4.

7. Adjustments; Change in Control.

(a) Adjustments Upon Specified Events. The Committee may accelerate vesting of the Units in such circumstances as it, in its sole discretion, may determine. In addition, upon the occurrence of certain events relating to the Company's stock contemplated by Section 6.2.1 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Committee shall make adjustments if appropriate in the number of Units then outstanding and the number and kind of securities that may be issued in respect of the Award. No such adjustment shall be made with respect to any ordinary cash dividend for which dividend equivalent rights may be paid pursuant to Section 5(b).

(b) Acceleration Upon Change in Control. Notwithstanding any other provision herein, in the event of a Change in Control Event, any Units that are then outstanding and unvested shall become fully vested and shall be paid to the Grantee immediately prior to such event.

8. Withholding of Taxes. Subject to Section 6.4 of the Plan, upon any distribution of Shares in respect of the Units, the Company shall automatically reduce the number of Shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then Fair Market Value (as determined in accordance with the applicable provisions of the Plan), to satisfy any withholding obligations of the Company with respect to such distribution of Shares at the minimum applicable withholding rates. In the event that the Company cannot legally satisfy such withholding obligations by such reduction of Shares, or in the event of a cash payment or any other withholding event in respect of the Units, the Company shall be entitled to require a cash payment by or on behalf of the Grantee and/or to deduct from other compensation payable to the Grantee any sums required by federal, state or local tax law to be withheld with respect to such distribution or payment.

9. Limitation on Rights; No Right to Future Grants; Extraordinary Item. By entering into this Agreement and accepting the Award, the Grantee acknowledges that: (i) the Grantee's participation in the Plan is voluntary; (ii) the value of the Award is an extraordinary item which is outside the scope of any employment contract with the Grantee; (iii) the Award is not part of normal or expected compensation for any purpose, including without limitation for calculating any benefits, severance, resignation, termination,

redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Grantee will not be entitled to compensation or damages as a consequence of the Grantee's forfeiture of any unvested portion of the Award as a result of the Grantee's termination of service with the Company for any reason; and (iv) in the event that the Grantee is not a direct employee of Company, the grant of the Award will not be interpreted to form an employment relationship with the Company and the grant of the Award will not be interpreted to form an employment contract with the Grantee's employer or the Company. The Company shall be under no obligation whatsoever to advise the Grantee of the existence, maturity or termination of any of the Grantee's rights hereunder and the Grantee shall be responsible for familiarizing himself or herself with all matters contained herein and in the Plan which may affect any of Grantee's rights or privileges hereunder.

10. Company Authority. Any question concerning the interpretation of this Agreement, the Notice or the Plan, any adjustments required to be made under the Plan, and any controversy that may arise under the Plan or this Agreement shall be determined by the Company (including any person(s) to whom the Company has delegated its authority) in its sole and absolute discretion. Such decision by the Company shall be final and binding.

11. Undertaking. The Grantee hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Grantee or the Grantee's interest pursuant to the express provisions of this Agreement.

12. Entire Agreement; Governing Law. The Notice, the Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. These agreements are to be construed in accordance with and governed by the internal laws of the State of California (as permitted by Section 1646.5 of the California Civil Code, or any similar successor provision) without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties. Should any provision of the Notice or this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

13. Successors and Assigns. The provisions of this Agreement will inure to the benefit of, and be binding on, the Company and its successors and assigns and the Grantee and the Grantee's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person will have become a party to this Agreement and agreed in writing to join herein and be bound by the terms and conditions hereof.

14. Securities Law Compliance. The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Grantee or other subsequent transfers by the Grantee of any Shares issued hereunder, including without limitation (a) restrictions under an insider trading policy, (b) restrictions that may be necessary in

the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the Award and/or the Shares and (c) restrictions as to the use of a specified brokerage firm or other agent for such resales or other transfers. Any sale of the Shares must also comply with other applicable laws and regulations governing the sale of such Shares.

15. Information Confidential. As partial consideration for the granting of the Award, the Grantee agrees that he or she will keep confidential all information and knowledge that the Grantee has relating to the manner and amount of his or her participation in the Plan; provided, however, that such information may be disclosed as required by law and may be given in confidence to the Grantee's spouse, tax and financial advisors, or to a financial institution to the extent that such information is necessary to secure a loan.

16. Headings. The captions used in this Agreement are inserted for convenience and shall not be deemed a part of this Agreement for construction or interpretation.

17. Dispute Resolution. The provisions of this Section 17 shall be the exclusive means of resolving disputes arising out of or relating to the Notice, the Plan and this Agreement. The Company, the Grantee, and the Grantee's assignees (the "parties") shall attempt in good faith to resolve any disputes arising out of or relating to the Notice, the Plan and this Agreement by negotiation between individuals who have authority to settle the controversy. Negotiations shall be commenced by either party by notice of a written statement of the party's position and the name and title of the individual who will represent the party. Within thirty (30) days of the written notification, the parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to resolve the dispute. If the dispute has not been resolved by negotiation, the parties agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or this Agreement shall be brought in the United States District Court for the Central District of California (or should such court lack jurisdiction to hear such action, suit or proceeding, in a California state court in the County of Los Angeles) and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Section 17 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

18. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail (if the parties are within the United States) or upon deposit for delivery by an internationally recognized express mail courier service (for international delivery of notice), with postage and fees prepaid, addressed to the other party at its address as shown beneath its signature in the Notice, or to such other address as such party may designate in writing from time to time to the other party.

**EXHIBIT A**

**CONSENT OF SPOUSE**

In consideration of the execution of the foregoing Director Restricted Stock Unit Award Agreement by Korn/Ferry International, the undersigned, the spouse of «First\_Name» «Last\_Name», the Participant named therein, do hereby agree to be bound by all of the terms and provisions thereof, the terms and conditions attached thereto, and those set forth in the Plan.

\_\_\_\_\_  
*Signature of Spouse*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Print Spouse's Name*

**[DECLARATION BELOW TO BE COMPLETED BY UNMARRIED INDIVIDUALS]**

I, \_\_\_\_\_, the undersigned, hereby declare that I am not married as of the date hereof.

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

## CERTIFICATIONS

I, Gary D. Burnison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Korn/Ferry International;
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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my 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 controls over financial reporting.

By: /s/ GARY D. BURNISON

Name: Gary D. Burnison

Title: Chief Executive Officer and Director

Date: December 10, 2007



## CERTIFICATIONS

I, Stephen J. Giusto, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Korn/Ferry International;
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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my 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 controls over financial reporting.

By: /s/ STEPHEN J. GIUSTO

Name: Stephen J. Giusto

Title: Executive Vice President and Chief Financial Officer

Date: December 10, 2007

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

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Korn/Ferry International, a Delaware corporation (the "Company"), hereby certifies that, to the best of his knowledge:

(a) the Quarterly Report on Form 10-Q for the quarter ended October 31, 2007 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 10, 2007

By: /s/ GARY D. BURNISON

Name: Gary D. Burnison

Title: Chief Executive Officer and Director

By: /s/ STEPHEN J. GIUSTO

Name: Stephen J. Giusto

Title: Executive Vice President and Chief Financial Officer