

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (date of earliest event reported)
June 18, 2002 (June 13, 2002)

Korn/Ferry International

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

001-14505

(Commission File Number)

95-2623879

(IRS Employer Identification No.)

1800 Century Park East, Suite 900, Los Angeles, California 90067

(Address of principal executive offices)(Zip Code)

(310) 552-1834

(Registrant's telephone number, including area code)

N/A

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

Item 5. Other Events.

On June 13, 2002, Korn/Ferry International, a Delaware corporation (the “Company”) entered into a Securities Purchase Agreement (the “Securities Purchase Agreement”) with Friedman Fleischer & Lowe Capital Partners, L.P., a Delaware limited partnership and FFL Executive Partners, L.P., a Delaware limited partnership (the “Purchasers”), pursuant to which the Company issued and sold to the Purchasers for an aggregate purchase price of \$50,000,000 (i) 10,000 shares of its 7.5% Convertible Series A Preferred Stock, par value \$0.01 per share (the “Series A Preferred Stock”), at a purchase price of \$1,000 per share, (ii) 7.5% Convertible Subordinated Notes Due 2010, in an aggregate principal amount of \$40 million (the “Notes”), and (iii) eight-year warrants (the “Warrants”) to purchase 272,727 shares of the Company’s Common Stock, par value \$0.01 per share (the “Common Stock”), with an exercise price of \$12.00 per share. The Series A Preferred Stock and the Notes are convertible into Common Stock at \$10.25 per share, initially representing 4,878,049 shares of Common Stock.

The Series A Preferred Stock is subject to the terms and conditions of the Certificate of Designations attached hereto as Exhibit 3.1. The Note is subject to the terms and conditions of the form of 7.5% Convertible Subordinated Note Due 2010 attached hereto as Exhibit 4.1. The Warrants are subject to the terms and conditions of the form of Stock Purchase Warrant attached hereto as Exhibit 4.2. The Series A Preferred Stock and the Notes are also subject to the terms of the Subordination Agreement made by the Company and the Purchasers in favor of Bank of America, N.A. and other senior creditors described therein, attached hereto as Exhibit 4.3. Pursuant to an Investor Rights Agreement attached hereto as Exhibit 10.1, the Company has agreed, among other things, (i) to prepare and file with the Securities and Exchange Commission a registration statement covering the resale of the shares of Common Stock issuable pursuant to the terms of the Series A Preferred Stock, the Notes and the Warrants, (ii) to expand the number of directors on the Board of Directors of the Company to twelve and to designate two persons chosen by the Purchasers to the Board of Directors, and (iii) to grant the Purchasers certain other rights as more fully described therein.

In connection with such issuance, the Company amended its Loan Agreement, dated as of October 31, 2000, among the Company, the Lenders thereto, and Bank of America, N.A., as Administrative Agent. The terms of the amendments are contained in Amendments Nos. 4 and 5 to Loan Agreement attached hereto as Exhibits 10.2 and 10.3, respectively.

The information contained in the Exhibits 3.1, 4.1, 4.2, 4.3, 10.1, 10.2 and 10.3 to this Form 8-K are incorporated by reference into this Item 5.

Item 7. Financial Statements and Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
3.1	Certificate of Designations of 7.5% Convertible Series A Preferred Stock.
4.1	Form of 7.5% Convertible Subordinated Note Due 2010.
4.2	Form of Stock Purchase Warrant.
4.3	Subordination Agreement, dated as of June 13, 2002, made by Korn/Ferry International, a Delaware corporation, Friedman Fleischer & Lowe Capital Partners, L.P., a Delaware limited partnership, and FFL Executive Partners, L.P., a Delaware limited partnership in favor of Bank of America, N.A. and other senior creditors described therein.
10.1	Investor Rights Agreement, dated as of June 13, 2002, by and among Korn/Ferry International, a Delaware corporation, Friedman Fleischer & Lowe Capital Partners, L.P., a Delaware limited partnership and FFL Executive Partners, L.P., a Delaware limited partnership.
10.2	Amendment No. 4 to Loan Agreement, dated as of March 29, 2002.
10.3	Amendment No. 5 to Loan Agreement, dated as of June 13, 2002.

EXHIBIT INDEX

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CERTIFICATE OF DESIGNATIONS
OF
7.5% CONVERTIBLE SERIES A PREFERRED STOCK
OF
KORN/FERRY INTERNATIONAL

(Pursuant to Section 151 of the Delaware General Corporation Law)

Korn/Ferry International, a Delaware corporation (the "Corporation"), DOES HEREBY CERTIFY:

That the following resolution was duly adopted by the Board of Directors of the Corporation (the "Board of Directors") at a meeting duly convened and held on June 4, 2002, pursuant to authority conferred upon the Board of Directors by Article IV of the Certificate of Incorporation of the Corporation authorizing the Corporation to issue up to 50,000,000 shares of Preferred Stock, par value \$0.01 per share:

"BE IT RESOLVED, that the issuance of a series of Preferred Stock of Korn/Ferry International is hereby authorized, and the designation, voting powers, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, of the shares of such series, in addition to those set forth in the Certificate of Incorporation of the Corporation, are hereby fixed as follows:

Section 1. Designation. The distinctive serial designation of such series is "7.5% Convertible Series A Preferred Stock" ("Series A Preferred Stock"). Each share of Series A Preferred Stock shall be identical in all respects to every other share of Series A Preferred Stock. The shares of Series A Preferred Stock are subject to subordination in the manner, and to the extent, set forth in that certain Subordination Agreement, dated as of June 13, 2002, made by the Corporation and certain other persons in favor of Bank of America and certain senior creditors.

Section 2. Number of Shares. The number of shares of Series A Preferred Stock shall initially be 10,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series A Preferred Stock then outstanding) by the Board of Directors. Shares of Series A Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation or converted into Common Stock shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series.

Section 3. Definitions. As used herein with respect to Series A Preferred Stock:

(a) **“Accrued Dividends,”** with respect to any share of Series A Preferred Stock, means an amount computed at the annual dividend rate for Series A Preferred Stock, from the Closing Date or the Accrual Date, as applicable, to and including the date to which such dividends are to be accrued (whether or not such dividends have been declared), less the aggregate amount of all dividends previously paid on such share whether in cash or stock.

(b) **“Average Closing Price”** with respect to any period shall be calculated on a volume-weighted average basis. Specifically, it shall be computed by (x) multiplying the Closing Price on each Trading Day within the period by a fraction, the numerator of which is the trading volume of the Common Stock for such Trading Day on the New York Stock Exchange or within the relevant trading market if not the New York Stock Exchange, and the denominator of which is the aggregate trading volume for the trading period, and (y) adding together the products thus derived.

(c) **“Business Day”** means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in New York, New York or Los Angeles, California are not authorized or obligated by law, regulation or executive order to close.

(d) **“Closing Date”** means June 13, 2002.

(e) **“Closing Price”** on any Trading Day means the last reported sales price regular way or, in case no such reported sale takes place on such Trading Day, the average of the reported closing bid and asked prices regular way, in each case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange, market or quotation system on which the Common Stock is listed or admitted to trading, or, if such prices are not available, Closing Price shall mean the price per share of the Common Stock determined by the Board of Directors on a reasonable basis and in good faith.

(f) **“Fair Market Value”** on any day means the Closing Price.

(g) **“Fundamental Change”** means any transaction (including any merger, consolidation, recapitalization or other reorganization) or a series of related transactions as a result of which all or substantially all of the outstanding Common Stock is converted into or exchanged for stock, other securities, cash or assets.

(h) **“Junior Stock”** means the Common Stock and any other class or series of stock of the Corporation hereafter authorized over which Series A Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) **“Note”** means the 7.5% Convertible Subordinated Note Due 2010 of the Corporation.

(j) **“Parity Stock”** means any other class or series of stock of the Corporation that ranks on a parity with Series A Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(k) **“Redemption Date”** means the date fixed for redemption by or pursuant to this Certificate of Designations.

(l) **“Trading Day”** means a day on which the principal national securities exchange, market or quotation system on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading, a Business Day.

(m) **“Warrants”** means the eight-year warrants issued pursuant to the Purchase Agreement, dated as of June 13, 2002, by and between the Corporation and the other parties thereto.

Section 4. Dividends.

(a) **Rate.** Holders of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, but only out of funds legally available therefor, cumulative dividends per share of Series A Preferred Stock at the annual rate of 7.5% (or as such rate may be modified pursuant to the next paragraph) of the Issuance Price. The Issuance Price means \$1000 per share of Series A Preferred Stock, as adjusted to reflect the occurrence of any stock split, stock dividend, stock combination, stock subdivision or similar recapitalization affecting such share.

In the event that any Registration Default (as such term is defined in the Investor Rights Agreement, entered into as of the Closing Date by and between the Corporation and the other parties thereto, hereinafter the “Investor Rights Agreement”) exists and is continuing, then the annual rate of 7.5% referred to in the foregoing paragraph shall be increased by one percentage point per quarter, up to a maximum of 14%, until such time as the Registration Default ceases to continue (as set forth in the Investor Rights Agreement) at which point the annual rate shall immediately be reduced to 7.5%.

(b) **Payment.** Dividends are payable semi-annually on the thirteenth day of June and December in each year (or, if any such date is not a Business Day, on the next succeeding Business Day), beginning December 13, 2002, to holders of record on the Business Day preceding such dividend payment date, fixed for that purpose by the Board of Directors in advance of payment of each particular dividend. The amount of dividends payable for the initial dividend period and any period shorter than a full semi-

annual period during which shares are outstanding shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period which is payable. The dividend payable per share of Series A Preferred Stock for each full dividend period shall be computed by dividing the annual dividend rate by two. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payments on shares of Series A Preferred Stock which may be in arrears; *provided, however*, that to the extent that the Corporation does not declare and pay the amounts specified in Section 4(a) above on the dividend payment date on which such dividend is payable, the holders of the Series A Preferred Stock thus affected shall also receive, but only out of funds legally available for the payment of dividends, additional dividends in an amount equal to 2.0% per annum of such overdue amount for each day (beginning with the first day following such dividend payment date) for which such failure to declare and pay such dividends continues.

Dividends payable on shares of Series A Preferred Stock shall be paid in additional shares of Series A Preferred Stock provided, however, that on any dividend payment date occurring on or before the second anniversary of the Closing Date, dividends equal to 1% of the Issuance Price shall be paid in cash and equal to 6.5% of the Issuance Price shall be paid in additional shares of Series A Preferred Stock, and provided, further, at the option of the Corporation, dividends payable on shares of Series A Preferred Stock on any dividend payment date occurring after the second anniversary of the Closing Date may be paid entirely in cash or in additional shares of Series A Preferred Stock. To the extent that dividends are paid in additional shares of Series A Preferred Stock, such shares shall be valued at the Issuance Price, and such additional shares shall be entitled to receive cumulative dividends beginning from the date of issuance (such date an "Accrual Date").

(c) Priority of Dividends. So long as any share of Series A Preferred Stock remains outstanding, no dividend whatsoever shall be paid or declared and no distribution shall be made on any Junior Stock, other than a dividend or distribution payable solely in Junior Stock, and no shares of Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of (A) a reclassification of Junior Stock for or into Junior Stock, (B) the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, or (C) the repurchase of Common Stock from the Corporation's employees up to an aggregate amount of up to \$1,000,000 of Common Stock per year) provided, however, that dividends may be paid on Junior Stock if (i) all Accrued Dividends on all outstanding shares of Series A Preferred Stock for all past dividend periods have been paid in full and (ii) in the case of a dividend or distribution, there shall contemporaneously have been declared and paid or made on each outstanding share of Series A Preferred Stock a dividend or distribution in the same amount as the Corporation would have paid on such share if such share had been converted into Common Stock on the record date for the payment of such dividend or distribution and had received the dividend or distribution payable on such Common Stock. Subject to the foregoing, such dividends and distributions (payable in cash, stock or otherwise) as may be determined by

the Board of Directors may be declared and paid on any Junior Stock from time to time out of any funds legally available therefor.

Section 5. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series A Preferred Stock shall be entitled, before any distribution or payment out of the assets of the Corporation may be made to the holders of any Junior Stock, to receive in full an amount per share equal to the greater of (i) the Issuance Price, together with an amount equal to all Accrued Dividends to the date of payment and (ii) the amount that a holder of one share of Series A Preferred Stock would be entitled to receive if such shares were converted into Common Stock immediately prior to such liquidation, dissolution or winding up. Such greater amount per share shall be the "Liquidation Preference Amount".

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay the Liquidation Preference Amount in full to all holders of Series A Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series A Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preference Amounts of Series A Preferred Stock and all such Parity Stock.

(c) Residual Distributions. If the Liquidation Preference Amount has been paid in full to all holders of Series A Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation, including a merger in which the holders of Series A Preferred Stock receive cash or property for their shares, or the sale of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 6. Redemption.

Optional Redemption by the Corporation. Any time after the third anniversary of the Closing Date, the Corporation, at the option of the Board of Directors, may redeem in whole or in part the shares of Series A Preferred Stock at the time outstanding, at any time or from time to time, upon notice given as provided in Section 6(f), at the redemption price in effect at the notice date as provided in this Section 6, *provided, however*, that (A) no shares of Series A Preferred Stock may be redeemed pursuant to this Section 6(a) if at any time during the 135 days prior to the Redemption Date the Shelf Registration Statement (as defined in the Investor Rights Agreement) with respect to the Common Stock into which any shares of Series A Preferred Stock are

convertible shall not be effective, (B) optional redemption may only be made if the Corporation certifies to the holders in the redemption notice sent in accordance with Section 6(f) that it is able, financially and otherwise, to make the redemption payment, and there has been no default (as set forth in Section 6(i)) by the Corporation on an obligation to pay for shares of Series A Preferred Stock duly called for redemption in accordance with this Section 6 within the 12 months prior to the date of such notice, (C) optional redemption may only be made pursuant to this Section 6(a) if, after giving effect to such redemption (and any simultaneous redemption of Notes), the ratio of (a) the aggregate outstanding principal amount of the Notes and (b) the product of (x) the number of issued and outstanding shares of Series A Preferred Stock and (y) the Issuance Price, is equal to 4:1, and (D) the Corporation shall not be permitted to redeem shares of Series A Preferred Stock pursuant to this Section 6(a) if, after giving effect to such redemption (and any simultaneous redemption of Notes), the sum of (a) the aggregate outstanding principal amount of the Notes and (b) the product of (x) the number of issued and outstanding shares of Series A Preferred Stock and (y) the Issuance Price, does not exceed \$15,000,000.00. The foregoing clauses (C) and (D) shall not limit the Corporation's right pursuant to this Section 6(a) to redeem all of the outstanding principal amount of the Notes and all of the outstanding shares of Series A Preferred Stock in one redemption.

(b) Redemption Price. The redemption price for shares of Series A Preferred Stock redeemed pursuant to Section 6(a) hereof shall be set by the Corporation in its discretion pursuant to any available redemption price calculation methodology set forth below.

The Corporation may in its discretion set the redemption price for each share of Series A Preferred Stock at 100% of the Issuance Price together with an amount equal to all Accrued Dividends to the date of redemption, *provided, however*, that the Corporation may not set the redemption price using this methodology unless the Average Closing Price of the Common Stock over the 20 Trading Day period immediately preceding the Redemption Date is equal to or greater than the price that is the result of dividing (i) the price specified in the following schedule by (ii) the number of shares of Common Stock into which such share of Series A Preferred Stock would be convertible on the notice date (such price, the "Minimum Share Purchase Price").

Redemption Date	Basis of Minimum Share Purchase Price Calculation
After the third and through and including the fourth anniversary of the Closing Date	2.0 x Issuance Price
After the fourth and through and including the fifth anniversary of the Closing Date	2.25 x Issuance Price

The Corporation may in its discretion set the redemption price for each share of Series A Preferred Stock at the product of (i) the number of shares of Common Stock into which such share of Series A Preferred Stock would be convertible on the notice date and (ii) the greater of (x) the Average Closing Price over the 20 Trading Day period immediately preceding the notice date and (y) the Minimum Share Purchase Price.

(c) Mandatory Redemption. The Corporation shall, on the eighth anniversary of the Closing Date, redeem all of the outstanding shares of Series A Preferred Stock at a redemption price per share equal to (i) 101% of the Issuance Price plus (ii) an amount equal to all Accrued Dividends to such Redemption Date.

(d) Optional Redemption by the Holders. After the sixth anniversary of the Closing Date, all (or a portion) of the shares of Series A Preferred Stock shall be subject to redemption at the option of the holders thereof at a redemption price per share equal to (i) 101% of the Issuance Price plus (ii) an amount equal to all Accrued Dividends to the Redemption Date. In addition, if a Registration Default exists and is continuing, and either (a) the Shelf Registration Statement has not been declared effective by the Securities and Exchange Commission (the "SEC") on or before the 365th calendar day after the date of filing of the Shelf Registration Statement or (b) the Shelf Registration Statement is declared effective by the SEC but the Shelf Registration Statement thereafter ceases to be effective and such failure to be effective continues for a period of 90 consecutive calendar days, or more than 120 days in any 365 day period, then all of the shares of Series A Preferred Stock shall be subject to redemption at the option of the holders thereof, beginning on such 365th or 91st or 121st day, as the case may be, until such time as the Registration Default ceases to continue (as set forth in the Investor Rights Agreement) at a redemption price equal to the greater of (y) 100% of the Issuance Price plus an amount equal to all Accrued Dividends to the Redemption Date or (z) the product of the number of shares of Common Stock into which such share of Series A Preferred Stock would be convertible on the date of the exercise of such option by the holder and the Average Closing Price over the 20 Trading Day period immediately preceding such date.

Any holder of Series A Preferred Stock electing to redeem shares of Series A Preferred Stock pursuant to this Section 6(d) shall give notice in writing of such election to the Corporation (or its successor, if the Corporation is no longer in existence) at its principal office, which notice shall set forth the name of the holder and the number of shares of Series A Preferred Stock to be redeemed. Such written notice of election shall be irrevocable without the consent of the Corporation, in its sole discretion. The Corporation shall forthwith give notice to all other holders of Series A Preferred Stock of any such notice of redemption, specifying the date fixed by the Corporation for

redemption of such shares of Series A Preferred Stock, such date to be not more than 45 days nor less than 30 days from the notice date. Such other holders of Series A Preferred Stock may elect to sell to the Corporation all or a portion of their shares of Series A Preferred Stock by delivering written notice to the Corporation within 15 days after the distribution of the notice regarding optional redemption by the Corporation. Each holder of shares of Series A Preferred Stock that has given timely notice to the Corporation shall be entitled to receive the redemption price thereof as described in this Section 6(d), without interest, after surrender to the principal office of the Corporation of the certificate or certificates for the shares to be surrendered.

(e) Change Of Control For the purposes of this Section 6: (i) a sale, conveyance or disposition of all or substantially all of the assets of the Corporation, (ii) the effectuation of a transaction (including a merger, consolidation, recapitalization or other reorganization) or series of related transactions as a result of which 50% or more of the issued and outstanding voting securities of the resulting entity are beneficially owned by a person, corporation, entity or group other than the stockholders of the Corporation immediately prior to such transactions, or (iii) the effectuation of a transaction (including a merger, consolidation, recapitalization or other reorganization) or series of related transactions as a result of which any person or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) shall succeed in having a sufficient number of its nominees elected to the Corporation's Board of Directors such that such nominees will constitute a majority of the Board of Directors, shall be a "Change of Control Event." In the event of a Change of Control Event, each holder of a share of Series A Preferred Stock shall have the right to receive, at the option of the holder, (i) 101% of the Issuance Price plus an amount equal to all Accrued Dividends to the date of the Change of Control Event, or (ii) the per share consideration to be received by a holder of the Common Stock into which such share of Series A Preferred Stock is convertible as of such Change of Control Event. Upon the consummation of a Change of Control Event that is a Fundamental Change, each share of Series A shall automatically be converted into the right to receive, at the election of the holder in accordance with the third paragraph of this Section 6(e), one of the two forms of consideration described above.

On or before the 30th calendar day after a Change of Control Event (or the 30th calendar day prior to such Change of Control Event that is a Fundamental Change), the Corporation shall give notice in accordance with this Section 3.4 of the redemption right or other right to receive consideration set forth herein arising as a result thereof to each holder. To exercise a redemption right, a Holder shall deliver to the Corporation (or an agent designated by the Corporation for such purposes in the notice referred to above) on or before the 90th calendar day after such Change of Control Event (or if such Change of Control Event is a Fundamental Change then on or before such date of such Fundamental Change) (a) written notice of the holder's exercise of such right, which notice shall set forth the name of the holder, the number of shares of Series A Preferred Stock to be redeemed, and a statement that the option to exercise the redemption right or receive the consideration is being made thereby, and (b) the certificates for the shares of

Series A Preferred Stock with respect to which the redemption right is being exercised, duly endorsed for transfer to the Corporation. Such written notice shall be irrevocable without the consent of the Corporation, in its sole discretion.

(f) Notice of Redemption. Each notice of a redemption of shares of Series A Preferred Stock or otherwise to be provided by the Corporation under this Section 6 shall be made by hand delivery or delivered by overnight courier, addressed to the holders of record of the shares to be redeemed at their respective addresses appearing on the books of the Corporation. Each such notice shall state, as appropriate, the following and may contain such other information as the Corporation deems advisable: (a) the Redemption Date, (b) the number of such shares of Series A Preferred Stock held by such holder to be redeemed, (c) the redemption price, (d) the place or places where one or more certificates for such shares of Series A Preferred Stock are to be surrendered for redemption and (e) such items as are required to be stated in a notice of an optional redemption by the Corporation pursuant to Section 6(a) above. The “notice date” shall be the date such notice is mailed. Such mailing shall be at least 30 days and not more than 45 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(f) shall be conclusively presumed to have been duly given upon receipt, but failure duly to give such notice by overnight mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series A Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock. Upon duly delivering notice to a holder of Series A Preferred Stock, the Corporation may not thereafter rescind such notice of redemption or the Company’s obligation to pay the redemption price.

(g) Partial Redemption. In case of any optional redemption of only part of the shares of Series A Preferred Stock at the time outstanding (other than in the case of optional redemption by the holders pursuant to Section 6(d)), the shares to be redeemed shall be selected either pro rata or by lot or in such other manner as the Board of Directors may determine to be equitable.

(h) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the Redemption Date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares of Series A Preferred Stock called for redemption (or to be redeemed pursuant to Section 6(d)), so as to be and continue to be available therefor, then, notwithstanding that any certificate (or an affidavit of loss and indemnification in lieu thereof has been provided to the Corporation as provided below) for any share of Series A Preferred Stock so called for redemption (or to be redeemed pursuant to Section 6(d)) has not been surrendered for cancellation, on and after the Redemption Date all shares of Series A Preferred Stock so called for redemption (or to be redeemed pursuant to Section 6(d)) shall cease to be outstanding and all rights with respect to such shares of Series A Preferred Stock shall forthwith on such Redemption Date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption without interest. In the

event any certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder certifying to the satisfaction of the Corporation that such certificate has been lost, stolen or destroyed and entering into an indemnity agreement against any claim that may be made against it with respect to such certificate, the Corporation will deliver any redemption price in respect thereof issuable and/or payable in exchange for such lost, stolen or destroyed certificate pursuant to the terms of this Section 6. Any funds unclaimed at the end of one year from the Redemption Date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares of Series A Preferred Stock so called for redemption (or to be redeemed pursuant to Section 6(d)) shall look only to the Corporation for payment of the redemption price of such shares of Series A Preferred Stock.

(i) Redemption Default. If the Corporation defaults on an obligation incurred hereunder to pay a redemption price payable pursuant to the terms of this Section 6, the holder of any share of Series A Preferred Stock subject to such default (a) shall receive additional dividends in an amount equal to 2.0% per annum for each day for which such default continues, and (b) may at its option either (A) enforce its right to receive such redemption price and receive the additional interest due thereon pursuant to clause (b) or (B) terminate or rescind such attempted redemption.

Section 7. Conversion Rights. Each share of Series A Preferred Stock shall be convertible at the option of the holder thereof at any time into fully paid and non-assessable shares of Common Stock of the Corporation (calculated as to each conversion to the nearest 1/100th of a share) on and subject to the following terms and conditions:

(a) Conversion Price. The conversion price at which shares of Series A Preferred Stock shall be convertible into Common Stock (the "Conversion Price") shall initially be \$10.25 per share and shall be adjusted in certain events as provided in Section 7(e). Each share of Series A Preferred Stock shall be taken at the Issuance Price and any Accrued Dividends for the purpose of conversion.

(b) Surrender of Certificates. In order to convert shares of Series A Preferred Stock into Common Stock the holder must surrender, at the office of any transfer agent for the Common Stock or at such other office as the Board of Directors may designate, the certificate or certificates for the shares to be converted, duly endorsed or assigned either to the Corporation or in blank, together with irrevocable written notice that such holder elects to convert such shares. Such shares shall be deemed to be converted immediately before the close of business on the date of such surrender, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after such date, and in any event within 3 Business Days, the Corporation shall issue and deliver at such office to the person or persons entitled to receive the same a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, together with payment in lieu of any fraction of a share as provided in Section 7(d).

(c) Shares Called for Redemption. In case shares of Series A Preferred Stock are called for redemption, the right to convert such shares shall cease and terminate at the close of business on the Business Day before the date fixed for redemption, *provided, however*, that such right may be reinstated in case of a default in payment of the redemption price as set forth in Section 6(i).

(d) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of shares of Series A Preferred Stock, but, instead of any fraction of a share that would otherwise be issuable, the Corporation shall pay cash in an amount equal to the same fraction of the Closing Price on the date of surrender of the certificate or certificates for such shares for conversion, or, if such date is not a Trading Day, on the next Trading Day.

(e) Adjustment of Conversion Price Anti-Dilution. The Conversion Price and the number and kind of shares of capital stock or other property issuable on conversion shall be adjusted from time to time as follows.

(i) Sales of Common Stock Below Fair Market Value In case the Corporation shall issue or grant to any person (whether directly or by assumption in a merger or otherwise, other than upon a Fundamental Change to which Section 7(e)(v) applies) (a) rights, warrants, options, exchangeable securities or convertible securities (each referred to herein as “Rights”) entitling such person to subscribe for or purchase shares of Common Stock at a price per share less than the Fair Market Value or (b) shares of Common Stock at a price per share less than the Fair Market Value, on the record date fixed for the determination of persons entitled to receive such Rights or such shares, the Conversion Price in effect immediately before the close of business on the record date fixed for such determination shall be reduced by multiplying such Conversion Price by a fraction, of which (i) the numerator is the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) on such record date plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase pursuant to such Rights, or so issued, would purchase at the Fair Market Value on such record date and (ii) the denominator shall be the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) at the close of business on such record date plus the number of shares of Common Stock so offered for subscription or purchase pursuant to such Rights, or so issued. If, after any such record date, any such Rights or shares are not in fact issued, or are not exercised prior to the expiration thereof, the Conversion Price shall be immediately readjusted, effective as of the date such Rights or shares expire, or the date the Board of Directors determines not to issue such Rights or shares, to the Conversion Price that would have been in effect if the unexercised Rights had

never been granted or such record date had not been fixed, as the case may be. Such adjustment shall be made successively whenever any such event shall occur. For the purposes of this paragraph, the aggregate of the offering price received or to be received by the Corporation shall include the maximum aggregate amount (if any) payable upon exercise or conversion of such Rights. The value of any consideration received or to be received by the Corporation, if other than cash, is to be determined by the Board of Directors on a reasonable basis and in good faith.

(ii) Stock Splits and Combinations. In case the Corporation shall subdivide its outstanding Common Stock into a greater number of shares or combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately before the time when such subdivision or combination becomes effective shall be adjusted so that the holder of each share of Series A Preferred Stock converted thereafter shall be entitled to receive the number of shares of Common Stock that such holder would have received if such shares of Series A Preferred Stock had been converted immediately prior thereto at the Conversion Price then in effect. Such adjustment shall be made successively whenever any such event shall occur.

(iii) Stock Dividends in Common Stock. In case the Corporation shall pay a dividend or make a distribution in shares of Common Stock on any class of capital stock of the Corporation, the Conversion Price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive such dividend or distribution shall be reduced by multiplying such Conversion Price by a fraction, of which the numerator is the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) on such record date and the denominator is the sum of such number of shares and the total number of shares of Common Stock issued in such dividend or distribution. Such adjustment shall be made successively whenever any such event shall occur.

(iv) Distributions of Indebtedness, Securities or Assets. In case the Corporation shall distribute to all holders of Common Stock (whether by dividend or in a merger or consolidation or otherwise) evidences of indebtedness, shares of capital stock of any class or series, other securities, cash or assets (other than Common Stock or a dividend or distribution payable exclusively in cash and other than as a result of a Fundamental Change), the Conversion Price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive such distribution shall be reduced by multiplying such Conversion Price by a fraction, of which the numerator is the Fair Market Value on such record date less the fair market value (as determined by the Board of Directors, whose determination in good faith shall be conclusive) of the portion of such evidences of indebtedness, shares of capital

stock, other securities, cash and assets so distributed applicable to one share of Common Stock and the denominator is such Fair Market Value. Such adjustment shall be made successively whenever any such event shall occur. In case such distribution is not made after such a record date has been fixed, the Conversion Price shall be readjusted to the Conversion Price that would have been in effect if such record date had not been fixed.

(v) Fundamental Changes. In case any Fundamental Change shall occur, the holder of each share of Series A Preferred Stock outstanding immediately before such Fundamental Change shall have, in addition to all other rights hereunder, the right to receive the kind and amount of stock, other securities, cash and assets that such holder would have received if such share of Series A Preferred Stock had been converted immediately prior thereto. The Corporation agrees that it will not be a party to or permit any Fundamental Change to occur unless the foregoing provisions are included in the terms thereof, and unless the holders of Series A Preferred Stock shall continue to have all of its rights and privileges hereunder in an equivalent manner after giving effect to the Fundamental Change.

(vi) Exempted Issuances. Notwithstanding any other provision in this Section 7(e), the foregoing provisions of this Section 7(e) shall not apply to, and no adjustment shall be made to the Conversion Price for:

(a) shares of Common Stock issuable upon the exercise of options or other convertible securities to be issued pursuant to the Company's stock option, performance award or employee benefit plans; *provided, however*, that this exemption shall be limited to 7,000,000 shares of Common Stock issuable upon and an additional 1,574,501 shares of Common Stock issuable upon the exercise of options reserved for grant in September 2002 pursuant to the Company's option exchange program;

(b) shares of Common Stock issuable upon the exercise of options or other convertible securities previously issued pursuant to the Corporation's stock option, performance award or employee benefit plan;

(c) shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock, the Note or exercise of outstanding Warrants, or pay-in-kind dividends paid on the Series A Preferred Stock or the Note;

(d) securities that have been approved for issuance or grant by the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock; or

(e) securities that are issued in conjunction with an acquisition or a non-financing strategic transaction approved by the Board

of Directors; *provided, however*, that the number of shares of Common Stock or securities convertible into Common Stock issued by the Corporation in conjunction with non-financing strategic transactions that are exempt from the foregoing provisions of this Section 7(e) shall be limited to 20% of the shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) immediately prior to the Closing Date.

(vii) No Adjustment for Participating Distributions. Notwithstanding any of the provisions of this Section 7(e), no adjustment to the Conversion Price shall be made pursuant to a distribution by the Corporation in which the holders of Series A Preferred Stock shares have participated on an as-converted to Common Stock basis in accordance with Section 4(c).

(viii) Deferral of Certain Conversions Requiring Adjustment. In any case in which this Section 7(e) requires that an adjustment as a result of any event become effective from and after a record date, the Corporation may elect to defer until after the occurrence of such event (A) issuing to the holder of any shares of Series A Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion over and above the shares issuable on the basis of the Conversion Price in effect immediately before adjustment and (B) paying to such holder any amount in cash in lieu of a fractional share of Common Stock pursuant to Section 7(d) above. In any such case the Corporation shall issue or cause a transfer agent to issue due bills or other appropriate evidence of the right to receive the shares the issuance of which is so deferred.

(ix) Deferral of Small Adjustments. Any adjustment in the Conversion Price otherwise required by this Section 7 may be postponed until the date of the next adjustment (or the date of conversion, if earlier) otherwise required to be made if such adjustment (together with any other adjustments postponed pursuant to this paragraph (ix) and not theretofore made) would not require an increase or decrease of more than 0.5% in such Conversion Price. All calculations under this Section 7(e) shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(x) Voluntary Reduction in Conversion Price. The Board of Directors may make such reductions in the Conversion Price, in addition to those required by this Section 7(e), as it shall deem necessary to avoid taxation of any dividend or distribution of stock or rights to acquire stock or any event treated as a deemed dividend or distribution for Federal income tax purposes to the recipients.

(f) Notice of Conversion Price Adjustments. Whenever the Conversion Price is adjusted as herein provided:

(i) The Corporation shall compute and file with each transfer agent for the shares of Series A Preferred Stock the adjusted Conversion Price in accordance with this Section 7 and shall prepare a certificate signed by the Corporation's chief financial officer setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based; and

(ii) A notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall be made by hand delivery or delivered by overnight courier, as soon as practicable to the holders of record of outstanding shares of Series A Preferred Stock at their respective addresses appearing on the books of the Corporation.

(g) Notice of Certain Events. In case:

(i) The Corporation declares a dividend or other distribution on its Common Stock;

(ii) The Corporation authorizes the issuance to the holders of its Common Stock of rights or warrants entitling them to subscribe for or purchase any shares of capital stock of any class or any other subscription rights or warrants; or

(iii) Of any reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or of any sale, transfer or other disposition of all or substantially all of the assets of the Corporation or of any other transaction or event that would constitute or result in a Fundamental Change or a Change in Control; or

(iv) Of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

then the Corporation shall file with each transfer agent for the shares of Series A Preferred Stock and shall deliver by hand delivery or by overnight courier to the holders of record of outstanding shares of Series A Preferred Stock, at their respective addresses appearing on the books of the Corporation, at least 5 days before the applicable record or effective date hereinafter specified, a notice stating (x) the date as of which the holders of record of Common Stock to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding up or Fundamental Change is expected to become effective, and the date as of which it is

expected that holders of record of Common Stock shall be entitled to exchange their shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding up or Fundamental Change. Failure to give notice as required by this Section 7(g), or any defect in such notice, shall not affect the validity of any such dividend, distribution, right, warrant, reclassification, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding up or Fundamental Change, or the vote on any action authorizing such.

(h) Reservation of Shares. The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of issuance upon conversion of shares of Series A Preferred Stock, the full number of shares of Common Stock then deliverable upon conversion of all shares of Series A Preferred Stock outstanding.

Section 8. Voting Rights.

(a) General. The holders of Series A Preferred Stock shall be entitled to vote and, except as hereinafter provided, shall vote together with the holders of Common Stock (and of any other class or series that may similarly be entitled to vote with the holders of Common Stock) as a single class on all matters on which holders of Common Stock are entitled to vote.

In so voting, the holders of Series A Preferred Stock shall be entitled to cast such number of votes as such holders would have been entitled to cast if the Series A Preferred Stock and the Note had been converted into Common Stock on the record date for the determination of holders entitled to vote. Each share of Series A Preferred Stock shall be entitled to cast a pro rata portion of such number of votes.

(b) Other Voting Rights. So long as the sum of (a) the aggregate outstanding principal amount of the Notes and (b) the product of (x) the number of issued and outstanding shares of Series A Preferred Stock and (y) the Issuance Price, exceeds \$15,000,000.00, the Corporation will not, without the prior written consent of the holders of two thirds of the Series A Preferred Stock at the time outstanding, permit the taking of the following actions or take any action that has the effect of:

(i) waiving, amending, altering, repealing or changing the rights, preferences or privileges of the Series A Preferred Stock, as provided herein or in the certificate of incorporation, whether by merger, consolidation or otherwise;

(ii) authorizing or issuing any other equity security, including any other security convertible into or exercisable for any equity security, having a preference over the Series A Preferred Stock with respect to voting, the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(iii) reclassifying any outstanding shares of equity securities, including any security convertible into or exercisable for any such equity security, into equity securities having a preference over, or being on a parity with, the Series A Preferred Stock with respect to voting, the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(iv) authorizing or paying any dividend or distribution with respect to Common Stock or any other class or series of Junior Stock;

(v) increasing the authorized number of shares of Series A Preferred Stock other than in connection with the payment of dividends on the Series A Preferred Stock;

(vi) altering or changing the business of the Corporation in any fundamental respect; or

(vii) effecting a voluntary liquidation, dissolution or winding up of the Corporation;

provided, however, that the amendment of the certificate of incorporation so as to authorize or create, or to increase the authorized amount of, any Junior Stock or any shares of any class or series or any securities convertible into shares of any class or series of capital stock of the Corporation ranking on a parity with Series A Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation shall not be deemed to affect adversely the rights, preferences or privileges of the Series A Preferred Stock; *provided, further*, that no such vote or consent of the holders of Series A Preferred Stock shall be required if provision is made for the redemption pursuant to Section 6 of all shares of Series A Preferred Stock at the time outstanding at or before the time when such amendment, alteration or repeal is to take effect or when such authorization, creation or increase in the authorized amount of any shares or convertible securities is to be made, as the case may be.

Section 9. Other Rights. The shares of Series A Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the certificate of incorporation of the Corporation.

In witness whereof, KORN/FERRY INTERNATIONAL has caused this certificate to be signed by Paul C. Reilly, its Chief Executive Officer, this 13th day of June, 2002.

KORN/FERRY INTERNATIONAL

By: _____ /s/ PAUL C. REILLY

THIS NOTE AND THE SHARES INTO WHICH THIS NOTE IS CONVERTIBLE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER THE SECURITIES ACT OR THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

THE SECURITIES EVIDENCED HEREBY ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THIS NOTE, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES ON THESE SECURITIES.

THIS NOTE IS SUBJECT TO SUBORDINATION IN THE MANNER, AND TO THE EXTENT, SET FORTH IN THAT CERTAIN SUBORDINATION AGREEMENT, DATED AS OF JUNE 13, 2002, MADE BY THE COMPANY AND CERTAIN OTHER PERSONS IN FAVOR OF BANK OF AMERICA AND CERTAIN SENIOR CREDITORS, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY.

THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. PLEASE SEE SECTION 9.4 HEREOF FOR MORE INFORMATION.

KORN/FERRY INTERNATIONAL

7.5% CONVERTIBLE SUBORDINATED NOTE DUE 2010

\$ _____

Dated: June 13, 2002

KORN/FERRY INTERNATIONAL, a corporation organized and existing under the laws of Delaware (hereinafter called the "Company"), for value received, hereby promises to pay to _____, or registered assigns, on or before June 13, 2010, an amount equal to (i) 101% of (a) \$ _____ minus (b) any principal amount converted or redeemed (such amount (a) minus (b), as of any determination date, the "Outstanding Principal Amount") and (ii) any unpaid accrued interest thereon, as set forth below. The Company further promises to pay interest on said Outstanding Principal Amount from June 13, 2002 (the "Closing Date") or from the most recent interest payment date (each such date, an "Interest Payment Date") on which interest has been paid or duly provided for, semi-annually in arrears on the thirteenth day of June and December of each year (or, if any such date is not a Business Day, on the next succeeding Business Day), beginning December 13, 2002, at the rate of 7.5% per annum (or as such

rate may be modified pursuant to Section 2.1 contained herein), until the Outstanding Principal Amount hereof is paid or duly provided for. This Note is one of a duly authorized series of notes of the Company having an aggregate principal amount of \$40,000,000 (the "Notes") issued pursuant to the Purchase Agreement, dated as of June 13, 2002, by and between the Company and the other parties thereto (the "Purchase Agreement"). This Note is one of the series designated on the face hereof as the 7.5% Convertible Subordinated Notes Due 2010. All of the Notes of this series shall be substantially identical except as to denomination, and shall be treated on a pro rata basis with respect to all applicable rights, privileges and obligations. This note may not be redeemed except in accordance with the terms provided herein.

Article I: Definitions

Section 1.1 *Definitions.*

As used herein with respect to this Note (this "Note"):

"Average Closing Price" with respect to any period shall be calculated on a volume-weighted average basis. Specifically, it shall be computed by (x) multiplying the Closing Price on each Trading Day within the period by a fraction, the numerator of which is the trading volume of the Common Stock for such Trading Day on the New York Stock Exchange or within the relevant trading market if not the New York Stock Exchange, and the denominator of which is the aggregate trading volume for the trading period, and (y) adding together the products thus derived.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in New York, New York or Los Angeles, California are not authorized or obligated by law, regulation or executive order to close.

"Closing Price" on any Trading Day with respect to the per share price of Common Stock means the last reported sales price regular way or, in case no such reported sale takes place on such Trading Day, the average of the reported closing bid and asked prices regular way, in each case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange, market or quotation system on which the Common Stock is listed or admitted to trading, or, if such prices are not available, Closing Price shall mean the price per share of the Common Stock determined by the Board of Directors on a reasonable basis and in good faith.

"Common Stock" means the common stock, par value \$0.01 per share, of the Company.

"Fair Market Value" on any day means the Closing Price.

"Fundamental Change" means any transaction (including any merger, consolidation, recapitalization or other reorganization) or series of related transactions as

a result of which all or substantially all of the outstanding Common Stock is converted into or exchanged for stock, other securities, cash or assets.

“*Junior Stock*” means the Common Stock and any other class or series of stock of the Company hereafter authorized over which the Series A Preferred Stock of the Company has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Company.

“*Maturity*” means any date on which the principal of this Note or the redemption price in respect of this Note becomes due and payable as herein provided.

“*Person*” means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*Redemption Date*” means the date fixed for redemption by or pursuant to this Note.

“*Redemption Price*” means the price at which the Note is to be redeemed.

“*Regular Record Date*” means the Business Day preceding any Interest Payment Date.

“*Series A Preferred Stock*” means the Series A Preferred Stock of the Company, par value \$0.01 per share.

“*Subsidiary*” means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, or other business organization more than 50% owned by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For purposes of this definition, “voting stock” means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

“*Trading Day*” means a day on which the principal national securities exchange, market or quotation system on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading, a Business Day.

“*Warrants*” means the eight-year warrants issued pursuant to the Purchase Agreement.

Article II: Interest Payments

Section 2.1 *Rate of Interest.*

(i) Interest on this Note shall accrue on a daily basis at the annual rate (the "Note Rate") of seven and one-half percent (7.5%) from the date hereof through Maturity.

(ii) The amount of interest payable for any period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period which is payable. The amount of interest payable for any full interest period shall be computed by dividing the annual interest payable by two. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the Person in whose name this Note is registered at the close of business on the Regular Record Date for such interest installment. *Provided, however*, that to the extent the Company does not pay the interest installment on any Interest Payment Date, interest on such overdue interest installment shall accrue on a daily basis (beginning with the first day following such Interest Payment Date) at an annual rate equal to the Note Rate plus 2.0% per annum for each day for which such failure to pay such interest installment continues.

(iii) In the event any Registration Default (as such term is defined in the Investor Rights Agreement, entered into as of the Closing Date by and between the Company and the other parties thereto, hereinafter the "Investor Rights Agreement") exists and is continuing, then the annual rate of 7.5% referred to in paragraph (i) of this Section 2.1 shall be increased by one percentage point per quarter, up to a maximum of 14%, until such time as the Registration Default ceases to continue (as set forth in the Investor Rights Agreement) at which point the annual rate shall immediately be reduced to 7.5%.

Section 2.2 *Secondary Notes.*

(i) On each Interest Payment Date, the Company shall, subject to and in accordance with the provisions of this Note, issue Secondary Notes (as hereinafter defined) in lieu of the payment in cash of the interest due and payable on such Interest Payment Date; *provided, however*, that, subject to the provisions of the Subordination Agreement (as defined in Article VII), the Company shall on any Interest Payment Date occurring on or before the second anniversary of the Closing Date pay interest equal to 1% of the Outstanding Principal Amount of this Note in cash and equal to 6.5% of the Outstanding Principal Amount of this Note in Secondary Notes; and *provided, further*, the Company may, at its option, pay interest due on any Interest Payment Date after the second anniversary of the Closing Date either entirely in cash or in Secondary Notes. If the Company issues Secondary Notes, the Company shall execute and deliver by overnight mail to the Person in whose name this Note is registered at the close of business on such Regular Record Date, additional Notes, on identical terms as provided herein, dated such Interest Payment Date in a principal amount equal to such portion of

interest (such additional Notes being referred to herein as the “Secondary Notes”), and the due issuance of such Secondary Notes shall constitute full payment of such portion of interest.

Section 2.3 *Priority of Interest and Principal Payments on Notes.*

(i) So long as any of the Notes remains outstanding, no dividend whatsoever shall be paid and no distribution shall be made on any Junior Stock, other than a dividend or distribution payable solely in Junior Stock, and no shares of Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Company, directly or indirectly (other than as a result of (A) a reclassification of Junior Stock for or into Junior Stock, (B) the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, or (C) the repurchase of Common Stock from the Corporation’s employees up to an aggregate amount of up to \$1,000,000 of Common Stock per year) *provided, however*, that dividends may be paid on Junior Stock if (i) all interest on all outstanding Notes for all past interest periods has been paid in full and (ii) in the case of a dividend or distribution, there shall contemporaneously have been declared and paid or made on each Note a payment in the same amount as the Company would have paid on such share if such Note had been converted into Common Stock on the record date for the payment of such dividend or distribution and had received the dividend or distribution payable on such Common Stock. Subject to the foregoing, such dividends and distributions (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on any Junior Stock from time to time out of any funds legally available therefor.

Section 2.4 *Payments Made Pro Rata.*

In the event that the assets of the Company available for payment of interest and principal to the Holders in accordance with the provisions of this Note are insufficient to permit such payments in full, then the entire assets available for such payments shall be distributed ratably to the Holders of the Notes in proportion to the amount each such Holder would otherwise be entitled to receive.

Article III: Redemption of Notes

Section 3.1 *Optional Redemption by the Company.*

Any time after the third anniversary of the Closing Date, the Company, at the option of the Board of Directors, may redeem the Outstanding Principal Amount (or portion thereof) of this Note, at any time or from time to time, upon notice as provided in this Article III, at the Redemption Price in effect at the Redemption Date, *provided, however*, that this Note may not be redeemed pursuant to this Section 3.1 if at any time during the 135 days prior to the Redemption Date the Shelf Registration Statement (as defined in the Investor Rights Agreement) with respect to the Common Stock into which this Note is convertible shall not be effective. *Provided further*, that optional redemption may only be made if the Company certifies to the Holder of this Note in the redemption

notice sent in accordance with Section 3.7 that it is able, financially and otherwise, to make the redemption payment, and there has been no default (as set forth in Section 3.10) by the Company on an obligation to pay for Notes duly called for redemption in accordance with this Section 3 within the 12 months prior to the date of such notice. *And provided further*, that optional redemption may only be made pursuant to this Section 3.1 if, after giving effect to such redemption (and any simultaneous redemption of shares of Series A Preferred Stock), (A) the ratio of (a) the aggregate Outstanding Principal Amount of the Notes and (b) the product of (x) the number of issued and outstanding shares of Series A Preferred Stock and (y) the Issuance Price, is equal to 4:1, and (B) the sum of (a) the aggregate Outstanding Principal Amount of the Notes and (b) the product of (x) the number of issued and outstanding shares of Series A Preferred Stock and (y) the Issuance Price, is equal to or greater than \$15,000,000.00. The foregoing clauses (C) and (D) shall not limit the Company's right pursuant to this Section 6(a) to redeem all of the Outstanding Principal Amount of the Notes and all of the outstanding shares of Series A Preferred Stock in one redemption.

Section 3.2 *Redemption Price Upon Optional Redemption by the Company.*

(i) The Redemption Price for this Note redeemed pursuant to Section 3.1 hereof shall be set by the Company in its discretion pursuant to any available Redemption Price calculation methodology set forth below.

(ii) The Company may in its discretion set the Redemption Price for this Note at 100% of the Outstanding Principal Amount (or portion thereof) together with the amount equal to all accrued but unpaid interest to the date of redemption applicable thereto, *provided, however*, that the Company may not set the Redemption Price using this methodology unless the Average Closing Price of the Common Stock over the 20 Trading Day period immediately preceding the Redemption Date is equal to or greater than the price that is the result of dividing (i) the price specified in the following schedule by (ii) the number of shares of Common Stock into which the Outstanding Principal Amount (or portion thereof) of the Note would be convertible on the notice date (such price, the "*Minimum Share Purchase Price*").

Redemption Date	Basis of Minimum Share Purchase Price Calculation
After the third and through and including the fourth anniversary of the Closing Date	2.0 x Outstanding Principal Amount (or portion thereof)
After the fourth and through and including the fifth anniversary of the Closing Date	2.25 x Outstanding Principal Amount (or portion thereof)
After the fifth anniversary of the Closing Date	2.5 x Outstanding Principal Amount (or portion thereof)

(iii) The Company may in its discretion set the Redemption Price for the Outstanding Principal Amount (or portion thereof) of this Note to be converted at the product of (i) the number of shares of Common Stock into which the Outstanding Principal Amount (or portion thereof) of the Note would be convertible on the notice date and (ii) the greater of (x) the Average Closing Price over the 20 Trading Day period immediately preceding the notice date and (y) the Minimum Share Purchase Price.

Section 3.3 *Mandatory Redemption.*

The Company shall, on the eighth anniversary of the Closing Date, redeem this Note at a Redemption Price equal to (i) 101% of the Outstanding Principal Amount plus (ii) an amount equal to all accumulated but unpaid interest to the Redemption Date.

Section 3.4 *Optional Redemption by the Holders.*

(i) After the sixth anniversary of the Closing Date, this Note (or portion thereof that shall have a Redemption Price of at least \$100,000) shall be subject to redemption at the option of the Holder thereof at a Redemption Price equal to (i) 101% of the Outstanding Principal Amount of this Note plus (ii) an amount equal to all accrued but unpaid interest to the Redemption Date. In addition, if a Registration Default exists and is continuing, and either (a) the Shelf Registration Statement has not been declared effective by the Securities and Exchange Commission (the "SEC") on or before the 365th calendar day after the date of filing of the Shelf Registration Statement or (b) the Shelf Registration Statement is declared effective by the SEC but the Shelf Registration Statement thereafter ceases to be effective and such failure to be effective continues for a period of 90 consecutive calendar days, or more than 120 days in any 365 day period, then this Note shall be subject to redemption at the option of the Holder thereof, beginning on such 365th or 91st or 121st day, as the case may be, until such time as the Registration Default ceases to continue (as set forth in the Investor Rights Agreement) at a Redemption Price equal to the greater of (y) 100% of the Outstanding Principal Amount plus an amount equal to all accrued but unpaid interest to the Redemption Date or (z) the product of the number of shares of Common Stock into which the Outstanding Principal Amount of the Note would be convertible on the date of the exercise of such option by the Holder and the Average Closing Price over the 20 Trading Day period immediately preceding such date.

(ii) A Holder electing to redeem this Note, or portion thereof, pursuant to this Section 3.4 shall give notice in writing of such election to the Company (or its successor, if the Company is no longer in existence) at its principal office, which notice shall set forth the name of the Holder and the aggregate Outstanding Principal Amount of the Note to be redeemed. Such written notice of election shall be irrevocable without the consent of the Company, in its sole discretion. The Company shall forthwith give notice to all other Holders of Notes any such notice of redemption, specifying the date fixed by the Company for redemption of this Note, such date to be not more than 45 days nor less than 30 days from the notice date. Such other Holders may elect to sell to the Company all or

a portion of their Notes by delivering written notice to the Company within 15 days after the distribution of the notice regarding optional redemption by the Company. Each Holder that has given timely notice to the Company shall be entitled to receive the Redemption Price thereof as described in this Section, without interest, after surrender to the principal office of the Conversion Agent of the Note or Notes to be surrendered, duly endorsed for transfer to the Company.

Section 3.5 *Change of Control.*

(i) For the purposes of this Article III: (a) a sale, conveyance or disposition of all or substantially all of the assets of the Company, (b) the effectuation of a transaction (including a merger, consolidation, recapitalization or other reorganization) or series of related transactions as a result of which 50% or more of the issued and outstanding voting securities of the resulting entity are beneficially owned by a person, corporation, entity or group other than the stockholders of the Company immediately prior to such transactions, or (c) the effectuation of transaction (including a merger, consolidation, recapitalization or other reorganization) or series of related transactions as a result of which any person or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) shall succeed in having a sufficient number of its nominees elected to the Company's Board of Directors such that such nominees will constitute a majority of the Board of Directors, shall be a "*Change of Control Event*." In the event of a Change of Control Event, the Holder of this Note shall have the right to receive, at the option of the Holder, (i) 101% of the Outstanding Principal Amount of this Note plus an amount equal to all accrued but unpaid interest to the date of the Change of Control Event, or (ii) the consideration a Holder of the Note would receive if such Holder were a Holder of the Common Stock into which such Note were convertible as of such Change of Control Event.

(ii) On or before the 30th calendar day after a Change of Control Event (or the 30th calendar day prior to such Change of Control Event that is a Fundamental Change), the Company shall give notice in accordance with this Article III of the redemption right or other right to receive consideration set forth herein arising as a result thereof to each Holder. To exercise a redemption right, a Holder shall deliver to the Company (or an agent designated by the Company for such purposes in the notice referred to above) on or before the 90th calendar day after such Change of Control Event (or if such Change of Control Event is a Fundamental Change then on or before the date of such Fundamental Change) (a) written notice of the Holder's exercise of such right, which notice shall set forth the name of the Holder, the Outstanding Principal Amount of the Note to be redeemed, and a statement that the option to exercise the redemption right or receive the consideration is being made thereby, and (b) the Note with respect to which the redemption right is being exercised, duly endorsed for transfer to the Company. Such written notice shall be irrevocable without the consent of the Company, in its sole discretion.

Section 3.6 *Liquidation, Dissolution or Winding Up.*

(i) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the Holder of this Note shall be entitled to require the Company to redeem this Note for an amount equal to the greater of (a) the Outstanding Principal Amount of the Note, together with an amount equal to all accrued but unpaid interest to the date of payment and (b) the amount that the Holder of the Note would be entitled to receive if the Outstanding Principal Amount of this Note were converted into Common Stock immediately prior to such liquidation, dissolution or winding up. Such greater amount shall be the "Liquidation Redemption Amount".

(ii) If the assets of the Company are not sufficient to pay the Liquidation Redemption Amount in full to all Holders of Notes, the amounts paid to the Holders of the Notes shall be *pro rata* in accordance with the respective aggregate Liquidation Redemption Amount of the Notes.

(iii) For purposes of this Section 3.6, the merger or consolidation of the Company with any other corporation, including a merger in which the Holder of this Note receives cash or property for its Note, or the sale of all or substantially all of the assets of the Company, shall not constitute a liquidation, dissolution or winding up of the Company

(iv) Any Liquidation Redemption Amount due pursuant to this Section 3.6 shall be made prior to any payment or distribution in respect of any class of capital stock of the Company.

Section 3.7 *Notice of Redemption.*

Each notice of a redemption of Notes or otherwise to be provided by the Company under this Article III shall be made by hand delivery or delivered by overnight courier, addressed to the Holders of record of the Notes to be redeemed at their respective last addresses appearing on the books of the Company. Each such notice shall state, as appropriate, the following and may contain such other information as the Company deems advisable: (a) the Redemption Date, (b) the aggregate Outstanding Principal Amount of the Note to be redeemed, (c) the Redemption Price, and (d) the place or places where the Note to be redeemed is to be surrendered for redemption and (e) such items as are required to be stated in a notice of an optional redemption by the Company pursuant to Section 3.1 above. The "notice date" shall be the date such notice is mailed. Such mailing shall be at least 30 days and not more than 45 days before Redemption Date. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, upon receipt, but failure duly to give such notice by overnight mail, or any defect in such notice or in the mailing thereof, to any Holder of a Note designated for redemption shall not affect the validity of the proceedings for the redemption of any other Notes. Upon duly delivering notice to the Holder of this Note, the Company may not thereafter rescind such notice of redemption or the Company's obligation to pay the Redemption Price.

Section 3.8 *Partial Redemption.*

(i) In the event of redemption of this Note in part only, a new Note for the unredeemed portion hereof will be issued in the name of the Holder upon the cancellation hereof. Each Note delivered upon transfer of or in exchange for or in lieu of this Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by this Note.

(ii) In case of any optional redemption of less than all of the aggregate Outstanding Principal Amount of Notes (other than in the case of optional redemption by the Holders pursuant to Section 3.3), the Notes to be redeemed shall be selected either *pro rata* or by lot or in such other manner as the Board of Directors may determine to be equitable.

Section 3.9 *Effectiveness of Redemption.*

If notice of redemption has been duly given and if on or before the Redemption Date specified in the notice all funds necessary for the redemption have been set aside by the Company, separate and apart from its other funds, in trust for the *pro rata* benefit of the Holders of the Notes called for redemption (or to be redeemed pursuant to Section 3.3), so as to be and continue to be available therefor, then, notwithstanding that any Note (or an affidavit of loss and indemnification in lieu thereof has been provided to the Company as provided below) so called for redemption (or to be redeemed pursuant to Section 3.3) has not been surrendered for cancellation, on and after the Redemption Date all Notes so called for redemption (or to be redeemed pursuant to Section 3.3) shall cease to be outstanding and all rights with respect to such Notes shall forthwith on such Redemption Date cease and terminate, except only the right of the Holders thereof to receive the amount payable on such redemption without interest. In the event any Note shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Holder certifying to the satisfaction of the Company that such Note has been lost, stolen or destroyed and entering into an indemnity agreement against any claim that may be made against it with respect to such Note, the Company will deliver any redemption price in respect thereof issuable and/or payable in exchange for such lost, stolen or destroyed certificate pursuant to the terms of this Section 3. Any funds unclaimed at the end of one year from the Redemption Date shall, to the extent permitted by law, be released to the Company, after which time the Holders of the Notes so called for redemption (or to be redeemed pursuant to Section 3.3) shall look only to the Company for payment of the Redemption Price of such Notes.

Section 3.10 *Redemption Default.*

If the Company defaults on an obligation incurred hereunder to pay a redemption price payable pursuant to the terms of this Section 3, the Holder of any Note subject to such default (i) shall be receive additional interest in an amount equal to 2.0% per annum for each day for which such default continues, and (ii) may at its option either (A)

enforce its right to receive such redemption price and receive the additional interest due thereon pursuant to clause (i) or (B) terminate or rescind such attempted redemption.

Article IV: Conversion Rights

Section 4.1 *Conversion.*

This Note (or any portion of the Outstanding Principal Amount hereof that is an integral multiple of \$1,000) shall be convertible at the option of the Holder hereof at any time into fully paid and non-assessable shares of Common Stock (calculated to the nearest 1/100th of a share) on and subject to the following terms and conditions:

(i) The Conversion Price at which the Outstanding Principal Amount of this Note (or portion thereof) shall be convertible into Common Stock (the "Conversion Price") shall initially be \$10.25 per share and shall be adjusted as provided herein. Each Note shall be taken at the Outstanding Principal Amount (or portion thereof) and any accumulated but unpaid distributions on such Outstanding Principal Amount (or portion thereof) for the purpose of conversion.

(ii) In order to convert the Outstanding Principal Amount (or portion thereof) of this Note into Common Stock the Holder must surrender, at the office of any transfer agent for the Common Stock or at such other office as the Board of Directors may designate, the Note evidencing the Outstanding Principal Amount (or portion thereof) to be converted, duly endorsed or assigned either to the Company or in blank, together with irrevocable written notice that such Holder elects to convert such Outstanding Principal Amount (or portion thereof). Such Outstanding Principal Amount (or portion thereof) shall be deemed to be converted immediately before the close of business on the date of such surrender, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record Holder or Holders of such Common Stock at such time. As promptly as practicable on or after such date and in any event within 3 Business Days, the Company shall issue and deliver at such office to the person or persons entitled to receive the same (A) a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, (B) payment, if any, in lieu of any fraction of a share as provided in Section 4.1(iv), and (C) in the event of conversion of a portion of the Outstanding Principal Amount of this Note, a new Note or Notes issued in the name of the Holder for the portion of the Outstanding Principal Amount that was not converted. Each Note delivered upon conversion of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note.

(iii) In case this Note is called for redemption, the right to convert such Note shall cease and terminate at the close of business on the Business Day before the date fixed for redemption; *provided, however*, that such right may be reinstated in case of a default in payment of the redemption price as set forth in Section 3.9.

(iv) No fractional shares of Common Stock shall be issued upon conversion of this Note. In lieu thereof, instead of any fraction of a share that would otherwise be issuable, the Company shall pay cash in an amount equal to the same fraction of the Closing Price on the date of surrender of the certificate or certificates for such shares for conversion, or, if such date is not a Trading Day, on the next Trading Day.

Section 4.2 *Adjustment of Conversion Price Anti-Dilution*

The Conversion Price and the number and kind of shares of capital stock or other property issuable on conversion shall be adjusted from time to time as follows:

(i) In case the Company shall issue or grant to any person (whether directly or by assumption in a merger or otherwise, other than upon a Fundamental Change to which Section 4.2(v) applies) (a) rights, warrants, options, exchangeable securities or convertible securities (each referred to herein as "Rights") entitling such person to subscribe for or purchase shares of Common Stock at a price per share less than the Fair Market Value or (b) shares of Common Stock at a price per share less than the Fair Market Value, on the record date fixed for the determination of persons entitled to receive such Rights or such shares, the Conversion Price in effect immediately before the close of business on the record date fixed for such determination shall be reduced by multiplying such Conversion Price by a fraction, of which (i) the numerator is the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) on such record date plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase pursuant to such Rights, or so issued, would purchase at the Fair Market Value on such record date and (ii) the denominator shall be the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) at the close of business on such record date plus the number of shares of Common Stock so offered for subscription or purchase pursuant to such Rights, or so issued. If, after any such record date, any such Rights or shares are not in fact issued, or are not exercised prior to the expiration thereof, the Conversion Price shall be immediately readjusted, effective as of the date such Rights or shares expire, or the date the Board of Directors determines not to issue such Rights or shares, to the Conversion Price that would have been in effect if the unexercised Rights had never been granted or such record date had not been fixed, as the case may be. Such adjustment shall be made successively whenever any such event shall occur. For the purposes of this paragraph, the aggregate of the offering price received or to be received by the Company shall include the maximum aggregate amount (if any) payable upon exercise or conversion of such Rights. The value of any consideration received or to be received by the Company, if other than cash, is to be determined by the Board of Directors on a reasonable basis and in good faith.

(ii) In case the Company shall subdivide its outstanding Common Stock into a greater number of shares or combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately before the time when such subdivision or combination becomes effective shall be adjusted so that the Holder of each Note converted thereafter shall be entitled to receive the number of shares of Common Stock that such Holder would have received if such Note had been converted immediately prior thereto at the Conversion Price then in effect. Such adjustment shall be made successively whenever any such event shall occur.

(iii) In case the Company shall pay a dividend or make a distribution in shares of Common Stock on any class of capital stock of the Company, the Conversion Price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive such dividend or distribution shall be reduced by multiplying such Conversion Price by a fraction, of which the numerator is the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) on such record date and the denominator is the sum of such number of shares and the total number of shares of Common Stock issued in such dividend or distribution. Such adjustment shall be made successively whenever any such event shall occur.

(iv) In case the Company shall distribute to all Holders of Common Stock (whether by dividend or in a merger or consolidation or otherwise) evidences of indebtedness, shares of capital stock of any class or series, other securities, cash or assets (other than Common Stock or a dividend or distribution payable exclusively in cash and other than as a result of a Fundamental Change), the Conversion Price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive such distribution shall be reduced by multiplying such Conversion Price by a fraction, of which the numerator is the Fair Market Value on such record date less the fair market value (as determined by the Board of Directors, whose determination in good faith shall be conclusive) of the portion of such evidences of indebtedness, shares of capital stock, other securities, cash and assets so distributed applicable to one share of Common Stock and the denominator is such Fair Market Value. Such adjustment shall be made successively whenever any such event shall occur. In case such distribution is not made after such a record date has been fixed, the Conversion Price shall be readjusted to the Conversion Price that would have been in effect if such record date had not been fixed.

(v) In any Fundamental Change shall occur, the Holder of each Note outstanding immediately before such Fundamental Change shall have, in addition to all other rights hereunder, the right to receive the kind and amount of stock, other securities, cash and assets that such Holder would have received if such Note had been converted immediately prior thereto. The Company agrees that it will not be a party to or permit any Fundamental Change to occur unless the foregoing provisions are included in the terms thereof, and unless the Holder hereunder shall continue to have all of its rights and

privileges hereunder in an equivalent manner after giving effect to the Fundamental Change.

(vi) Notwithstanding any other provision in this Section 4.2, the foregoing provisions of this Section 4.2 shall not apply to, and no adjustment shall be made to the Conversion Price for:

(1) shares of Common Stock issuable upon the exercise of options or other convertible securities to be issued pursuant to the Company's stock option, performance award or employee benefit plan; *provided, however*, that this exemption shall be limited to 7,000,000 shares of Common Stock and an additional 1,574,501 shares of Common Stock issuable upon the exercise of options reserved for grant in September 2002 pursuant to the Company's option exchange program;

(2) shares of Common Stock issuable upon the exercise of options or other convertible securities previously issued pursuant to the Company's stock option, performance award or employee benefit plan;

(3) shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock, the Note or exercise of outstanding Warrants, or pay-in-kind dividends on the Series A Preferred Stock or Note;

(4) securities that have been approved for issuance or grant by the Holders of at least two-thirds of Outstanding Principal Amount of the Notes; or

(5) securities that are issued in conjunction with an acquisition or a non-financing strategic transaction approved by the Board of Directors *provided, however*, that the number of shares of Common Stock or securities convertible into Common Stock issued by the Company in conjunction with non-financing strategic transactions that are exempt from the foregoing provisions of this Section 4.2 shall be limited to 20% of the shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) immediately prior to the Closing Date.

(vii) Notwithstanding any of the provisions of this Section 4.2, no adjustment to the Conversion Price shall be made pursuant to a distribution by the Company in which the Holders of Notes have participated on an as-converted to Common Stock basis in accordance with Section 2.3.

(viii) In any case in which this Section 4.2 requires that an adjustment as a result of any event become effective from and after a record date, the Company may elect to defer until after the occurrence of such event (A) issuing to the Holder of any Notes converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion over and above the shares issuable on the basis of the Conversion Price in effect immediately before adjustment and (B) paying to such Holder any amount in cash in lieu of a fractional share of Common

Stock pursuant to Section 4.1(iv) above. In any such case the Company shall issue or cause a transfer agent to issue due bills or other appropriate evidence of the right to receive the shares the issuance of which is so deferred.

(ix) Any adjustment in the Conversion Price otherwise required by this Section 4.2 may be postponed until the date of the next adjustment otherwise required to be made (or the date of exercise, if earlier) if such adjustment (together with any other adjustments postponed pursuant to this paragraph (ix) and not theretofore made) would not require an increase or decrease of more than 0.5% in such Conversion Price. All calculations under this Section 4.2 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(x) The Board of Directors may make such reductions in the Conversion Price, in addition to those required by this Section 4.2, as it shall deem necessary to avoid taxation of any dividend or distribution of stock or rights to acquire stock or any event treated as a deemed dividend or distribution for Federal income tax purposes to the recipients.

Section 4.3 *Notice of Conversion Price Adjustments.*

Whenever the Conversion Price is adjusted as herein provided the Company shall compute the adjusted Conversion Price in accordance with this Section 4.3, prepare a certificate signed by the Company's chief financial officer setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based; and deliver by hand delivery or by overnight courier a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price as soon as practicable to the Holder of record of this Note at the last address appearing on the books of the Company.

Section 4.4 *Notice of Certain Events.*

(i) In case:

(1) The Company declares a dividend or other distribution on its Junior Stock;

(2) The Company authorizes the issuance to the holders of its Common Stock of rights or warrants entitling them to subscribe for or purchase any shares of capital stock of any class or any other subscription rights or warrants; or

(3) Of any reclassification of the capital stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of any sale, transfer or other disposition of all or substantially all of the assets of the Company or of any other transaction or event that would constitute or result in a Fundamental Change or a Change of Control Event; or

(4) Of the voluntary or involuntary liquidation, dissolution or winding up of the Company;

then the Company shall deliver by hand delivery or by overnight courier to the Holder of record of this Note, at its last address appearing on the books of the Company, at least 5 days before the applicable record or effective date hereinafter specified, a notice stating (x) the date as of which the Holders of record of Common Stock to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding up or Fundamental Change is expected to become effective, and the date as of which it is expected that Holders of record of Common Stock shall be entitled to exchange their shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding up or Fundamental Change. Failure to give notice as required by this Section 4.4, or any defect in such notice, shall not affect the validity of any such dividend, distribution, right, warrant, reclassification, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding up or Fundamental Change, or the vote on any action authorizing such.

Section 4.5 *Reservation of Shares.*

The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of issuance upon conversion of this Note, the full number of shares of Common Stock then deliverable upon conversion of this Note.

Article V: Remedies

Section 5.1 *Events of Default.*

“Event of Default”, wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of the interest or principal of (or premium, if any, on) this Note at its Maturity; or

(2) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property or ordering the winding up or liquidation of its affairs, and the continuance of any such

decree or order unstayed and in effect for a period of 60 consecutive days, *provided, however*, that in the event of a filing of such petition or other commencement of proceedings by a third party and such filing or commencement has not been dismissed the Event of Default shall begin 60 days after the date of such filing or commencement; or

(3) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by the Company in furtherance of any such action.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, the Note may be redeemed at the option of the Holder at a price equal to the greater of (i) 101% of the Outstanding Principal Amount plus accrued interest and (ii) the product of the number of shares of Common Stock into which the Outstanding Principal Amount of the Note would be convertible on the day immediately preceding the occurrence of such Event of Default and the Average Closing Price over the 20 Trading Day period as of such day. Payment of such Amount on this Note shall remain subordinated to the extent provided in the Subordination Agreement.

Section 5.3 Delay or Omission Not Waiver.

No delay or omission of the Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein.

Section 5.4 Payment.

Any payment made by the Company pursuant to this Section 5 shall be made by wire transfer in immediately available funds in accordance with payment instructions provided by the Holder.

Article VI: Transfer And Related Provisions; Lost Notes

Section 6.1 Registration, Transfer and Exchange.

Upon surrender of this Note to the Company for registration of a permitted transfer, the Company shall execute and deliver, in the name of the designated transferee

or transferees, one or more new Notes, of any denominations of \$100,000 and multiples thereof and like aggregate principal amount. Notwithstanding the foregoing, the Company shall not be required to register the transfer of or exchange this Note unless it has been duly endorsed. All Notes issued upon any registration of transfer or exchange of this Note shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as this Note.

Section 6.2 *Mutilated, Destroyed, Lost and Stolen Notes.*

(i) If any mutilated Note is surrendered to the Company together with such Note or indemnity as may be required by the Company to save each of them harmless, the Company shall execute, authenticate and deliver in exchange therefor a new Note of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Maturity, and bearing a number not contemporaneously outstanding.

(ii) If there shall be delivered to the Company (i) evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) such Note or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company that such Note has been acquired by a bona fide purchaser, the Company shall execute, authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Maturity as such destroyed, lost or stolen Note, and bearing a number not contemporaneously outstanding.

(iii) In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Article VII: Subordination Of Note

Section 7.1 *Subordination of Note.*

The Notes are subject to subordination in the manner, and to the extent, set forth in that certain Subordination Agreement, dated as of June 13, 2002, made by the Company and certain other persons in favor of Bank of America and certain senior creditors (the "**Subordination Agreement**").

Article VIII: Consent Rights.

Section 8.1 *Consent Rights.*

(i) So long as the aggregate Outstanding Principal Amount on the Notes is at least \$12,000,000, the Company will not, without the prior written consent of the Holders of two-thirds of the Outstanding Principal Amount of the Notes, permit the taking of the following actions or take any action that has the effect of:

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- (1) waiving, amending, altering, repealing or changing the terms of the Notes, as provided herein, whether by merger, consolidation or otherwise;
 - (2) authorizing or paying any dividend or distribution with respect to Common Stock or any other class or series of Junior Stock;
 - (3) increasing the authorized Outstanding Principal Amount of the Notes that may be issued other than in connection with the payment of interest on the Notes;
 - (4) altering or changing the business of the Company in any fundamental respect; or
 - (5) effecting a voluntary liquidation, dissolution or winding up of the Company;

provided, however, that no such vote or consent of the holders of the Notes shall be required if provision is made for the redemption pursuant to Section 3 hereof of the aggregate Outstanding Principal Amount of the Notes at or before the time when such amendment, alteration or repeal is to take effect.

Article IX: Miscellaneous

Section 9.1 *Consolidation, Merger, etc. of Company.*

Upon any consolidation or merger by the Company with or into any other Person, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with this Section 9.1, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Note with the same effect as if such successor Person had been named as the Company herein and shall assume all the obligations of the Company hereunder; and in the event of any such conveyance, transfer or lease the Company shall continue to be bound by all obligations and covenants under this Note.

Section 9.2 *Persons Deemed Owners.*

The Company may treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of principal of and any interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Company nor any agent of the Company shall be affected by notice to the contrary.

Section 9.3 *Cancellation.*

All Notes surrendered for payment, redemption, transfer or exchange shall be promptly canceled by the Company. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section, except as expressly permitted herein.

Section 9.4 *Agreed Tax Treatment.*

The Company has determined that this Note shall constitute indebtedness for United States Federal, state and local tax purposes. The Company and, by its acceptance of a Note or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, this Note agree that they will not take any position for United States Federal, state and local tax purposes that is inconsistent with such determination. This Note is issued with original issue discount for Federal income tax purposes. The issue price, amount of original issue discount and yield to maturity of the Note may be obtained, by written request, from the Tax Director of the Company.

Each of the Holders and the Company hereby acknowledges and agrees that the shares of Series A Preferred Stock and the Warrants issued to the Holders pursuant to the Purchase Agreement are part of an investment unit within the meaning of Section 1273(c)(2) of the Internal Revenue Code which includes the Notes. Notwithstanding anything to the contrary herein, each of the Holders and the Company hereby further acknowledges and agrees that for United States federal, state and local income tax purposes the aggregate "issue prices" of the Warrants, the Preferred Stock and the Notes under Section 1273(b) of the Internal Revenue Code shall equal \$3,272,730, \$9,345,454, and \$37,381,816, respectively. Each of the Holders and the Company agrees to use the foregoing issue prices for all income tax purposes with respect to the Warrants, the Preferred Stock and the Notes.

Section 9.5 *Separability Clause.*

In case any provision in this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 9.6 *Heading; References.*

All headings used herein are used for convenience only and shall not be used to construe or interpret this Note. Except where otherwise indicated, all references herein to Section refer to Sections hereof.

Section 9.7 *Governing Law.*

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE.

IN WITNESS WHEREOF, the Company has caused this Note to be signed by a duly authorized officer and to be dated the Closing Date.

KORN/FERRY INTERNATIONAL

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title:

THIS WARRANT AND THE WARRANT SHARES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER THE SECURITIES ACT OR THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED. THE SECURITIES EVIDENCED HEREBY ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SECURITIES.

KORN/FERRY INTERNATIONAL**WARRANT**

Date of Issuance: June 13, 2002

Certificate No.

Date of Expiration: June 13, 2010

FOR VALUE RECEIVED, Korn/Ferry International, a Delaware corporation (the "*Company*"), hereby grants to _____, or registered permitted assigns (the "*Holder*") the right to purchase from the Company a total of _____ Warrant Shares (as adjusted in accordance with Section 3 hereof) at the price of \$12.00 per Warrant Share (the "*Initial Exercise Price*"). The amount and kind of securities that may be purchased hereunder and the Exercise Price are subject to adjustment pursuant to the provisions of this Warrant.

This Warrant is subject to the following provisions:

Section 1. *Definitions*. As used herein, the following terms have meanings set forth below:

"*Closing Price*" on any day means the last reported sale price per share of Common Stock regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in each case on the New York Stock Exchange, or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange, market or quotation system on which the Common Stock is listed or admitted to trading, or, if such prices are not available, Closing Price shall mean the price per share of the Common Stock determined by the Board of Directors on a reasonable basis and in good faith.

"*Common Stock*" shall mean the shares of Common Stock, par value \$0.01 per share, of the Company.

“*Exercise Price*” means the Initial Exercise Price, or such price as adjusted pursuant to the terms hereof.

“*Investor Rights Agreement*” means the Investor Rights Agreement, dated as of June 13, 2002, by and among the Company and the other parties thereto.

“*Fundamental Change*” means any transaction (including any merger, consolidation, recapitalization or other reorganization) or series of related transactions as a result of which all or substantially all of the outstanding Common Stock is converted into or exchanged for stock, other securities, cash or assets.

“*Fair Market Value*” on any day means the Closing Price.

“*Note*” means the 7.5% Convertible Subordinated Note Due 2010 of the Company.

“*Person*” means any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, governmental entity or other entity of any kind or nature.

“*Series A Preferred Stock*” means the 7.5% Convertible Series A Preferred Stock, par value \$0.01 per share, of the Company.

“*Warrant Shares*” means shares of Common Stock issuable upon exercise of this Warrant; provided, however, that if there is a change in the class or series of such capital stock of the Company so issuable, then the term “Warrant Shares” shall mean each such class or series issuable upon such exercise.

Section 2. *Exercise of Warrant.*

(a) *Exercise Period.* The Holder may exercise, in whole or in part, the purchase rights represented by this Warrant at any time and from time to time after the Date of Issuance through 5:00 p.m. Los Angeles time on the Date of Expiration, each as set forth on the first page hereof (the “*Exercise Period*”).

(b) *Exercise Procedure.*

(i) This Warrant shall be deemed to have been exercised when the Company has received all of the following items to its satisfaction:

(A) a completed Exercise Agreement, as described in Section 2(c) below, executed by the Person exercising all or part of the purchase rights represented by this Warrant (the “*Purchaser*”);

(B) this Warrant;

(C) if this Warrant is not registered in the name of the Purchaser, an assignment or assignments evidencing the assignment of this Warrant to the

Purchaser, in which case the Holder, the Purchaser, and any intermediate assignees shall have complied with the provisions set forth in Sections 6 and 10 hereof; and

(D) payment in an amount equal to the product of the Exercise Price multiplied by the number of Warrant Shares being purchased upon such exercise (the "*Aggregate Exercise Price*"). Such payment may be in the form of cash or in the form of a bank or certified check payable to the Company.

In lieu of delivering cash or a bank or certified check payable to the Company in an amount equal to the Aggregate Exercise Price, the Holder may require the Company to deduct from the number of Warrant Shares to be delivered to the Holder upon the exercise hereof a number of Warrant Shares having a value, based upon the Closing Price on the date of exercise hereof, equal to the Aggregate Exercise Price.

(ii) Certificates for the Warrant Shares purchased upon exercise of this Warrant shall be delivered by the Company to the Purchaser as promptly as practicable after the exercise hereof. Unless this Warrant has expired or all of the purchase rights represented hereby have been exercised, the Company shall prepare and deliver to the Purchaser a new Warrant, substantially identical hereto, for the remaining number of Warrant Shares covered hereby.

(iii) The Warrant Shares issuable upon the exercise of this Warrant shall be deemed to have been issued to the Purchaser, and the Purchaser shall be deemed for all purposes to have become the record holder of such Warrant Shares, at the close of business on the date of exercise hereof.

(iv) The Warrant may not be exercised unless any required governmental approvals have been obtained and any applicable waiting periods have expired.

(c) *Exercise Agreement.* Upon any exercise of this Warrant, the Exercise Agreement shall be substantially in the form set forth in Exhibit A hereto, except that if the Warrant Shares are not to be issued in the name of the Person in whose name this Warrant is registered, the Exercise Agreement shall also state the name of the Person to whom the certificates for the Warrant Shares are to be issued, and if the number of Warrant Shares to be issued does not include all the Warrant Shares purchasable hereunder, it shall also state the name of the Person to whom a new Warrant for the unexercised portion is to be delivered. Such Exercise Agreement shall be dated the actual date of execution thereof. Further, such Person shall as a precondition to any exercise make the representations in writing to the Company as are contained in Section 10 hereof.

Section 3. *Adjustment of Exercise Price and Number of Shares.* The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) *Sales of Common Stock Below Fair Market Value.* In case the Company shall issue or grant to any person (whether directly or by assumption in a merger or otherwise, other than upon a Fundamental Change to which Section 3(e) applies) (a) rights, warrants, options, exchangeable securities or convertible securities (each referred to herein as "*Rights*")

entitling such person to subscribe for or purchase shares of Common Stock at a price per share less than the Fair Market Value or (b) shares of Common Stock at a price per share less than the Fair Market Value, on the record date fixed for the determination of Persons entitled to receive such Rights or such shares, the Exercise Price in effect immediately before the close of business on the record date fixed for such determination shall be reduced by multiplying such Exercise Price by a fraction, of which (i) the numerator is the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) on such record date plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase pursuant to such Rights, or so issued, would purchase at the Fair Market Value on such record date and (ii) the denominator shall be the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) at the close of business on such record date plus the number of shares of Common Stock so offered for subscription or purchase pursuant to such Rights, or so issued. The number of shares of Common Stock issuable upon exercise of the Warrant shall be correspondingly increased by multiplying it by the inverse of the same fraction. If, after any such record date, any such Rights or shares are not in fact issued, or are not exercised prior to the expiration thereof, the Exercise Price shall be immediately readjusted, effective as of the date such Rights or shares expire, or the date the Board of Directors determines not to issue such Rights or shares, to the Exercise Price that would have been in effect if the unexercised Rights had never been granted or such record date had not been fixed, as the case may be. Such adjustment shall be made successively whenever any such event shall occur. For the purposes of this paragraph, the aggregate of the offering price received or to be received by the Company shall include the maximum aggregate amount (if any) payable upon exercise or conversion of such Rights. The value of any consideration received or to be received by the Company, if other than cash, is to be determined by the Board of Directors on a reasonable basis and in good faith.

(b) *Stock Splits and Combinations.* In case the Company shall subdivide its outstanding Common Stock into a greater number of shares or combine its outstanding Common Stock into a smaller number of shares, the number of shares of Common Stock issuable upon exercise of this Warrant in effect immediately before the time when such subdivision or combination becomes effective shall be adjusted so that the holder of this Warrant shall be entitled to receive the number of shares of Common Stock that such holder would have received if this Warrant had been exercised immediately prior thereto at the Exercise Price then in effect; and the Exercise Price shall be correspondingly adjusted by multiplying the Exercise Price theretofore in effect by a fraction, of which the numerator is the number of shares of Common Stock outstanding immediately before the time when such subdivision or combination becomes effective and the denominator is the number of shares of Common Stock outstanding immediately thereafter, such that the aggregate price payable for the total number of shares of Warrant Stock purchasable under this Warrant (as adjusted) shall remain the same. Such adjustment shall be made successively whenever any such event shall occur.

(c) *Stock Dividends in Common Stock.* In case the Company shall pay a dividend or make a distribution on any class or series of capital stock of the Company in shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this

Warrant in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive such dividend or distribution shall be increased by multiplying such number by a fraction, of which the numerator is the sum of the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) on such record date and the total number of shares of Common Stock issued in such dividend or distribution and the denominator is the number of shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) on such record date; and the Exercise Price shall be correspondingly decreased by multiplying the Exercise Price theretofore in effect by the inverse of the same fraction. Such adjustment shall be made successively whenever any such event shall occur.

(d) *Distributions of Indebtedness, Securities or Assets.* In case the Company shall distribute to all holders of Common Stock (whether by dividend or in a merger or consolidation or otherwise) evidences of indebtedness, shares of capital stock of any class or series, other securities, cash or assets (other than Common Stock or a dividend or distribution payable exclusively in cash and other than as a result of a Fundamental Change), the Exercise Price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive such distribution shall be reduced by multiplying such Exercise Price by a fraction, of which the numerator is the Fair Market Value on such record date less the fair market value (as determined by the Board of Directors, whose determination in good faith shall be conclusive) of the portion of such evidences of indebtedness, shares of capital stock, other securities, cash and assets so distributed applicable to one share of Common Stock and the denominator is such Fair Market Value. Such adjustment shall be made successively whenever any such event shall occur. In case such distribution is not made after such a record date has been fixed, the Exercise Price shall be readjusted to the Exercise Price that would have been in effect if such record date had not been fixed.

(e) *Fundamental Changes.* In case of any Fundamental Change, the Holder of the Warrant immediately before such Fundamental Change shall have, in addition to all other rights hereunder, the right to receive the kind and amount of stock, other securities, cash and assets that such holder would have received if such share of Warrant had been exercised immediately prior thereto. The Company agrees that it will not be a party to or permit any Fundamental Change to occur unless the foregoing provisions are included in the terms thereof, and unless the Holders hereunder shall continue to have all of the rights and privileges hereunder in an equivalent manner after giving effect to the Fundamental Change.

(f) *Notice of Exercise Price Adjustments.* Whenever the Exercise Price is adjusted as herein provided:

(i) A notice by the Company stating that the Exercise Price has been adjusted and setting forth the adjusted Exercise Price shall be mailed as soon as is practicable to the Holder at its address appearing on the books of the Company; and

(ii) The Company shall compute the adjusted Exercise Price in accordance with this Section 3 and shall include in such notice to the Holder a certificate signed by the

Company's chief financial officer setting forth the adjusted Exercise Price and showing in reasonable detail the method of calculation upon which such adjustment is based.

(g) *Exempted Issuances.* Notwithstanding any other provision in this Section 3, the foregoing provisions of this Section 3 shall not apply to, and no adjustment shall be made to the Exercise Price or the shares issuable upon exercise of this Warrant for:

(i) shares of Common Stock issuable upon the exercise of options or other convertible securities to be issued pursuant to the Company's stock option, performance award or employee benefit plan; *provided, however,* that this exemption shall be limited to 7,000,000 shares of Common Stock and an additional 1,574,501 shares of Common Stock issuable upon the exercise of options reserved for grant in September 2002 pursuant to the Company's option exchange program;

(ii) shares of Common Stock issuable upon the exercise of options or other convertible securities previously issued pursuant to the Company's stock option, performance award or employee benefit plan;

(iii) shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock, the Note, or pursuant to this Warrant, or pay-in-kind dividends paid on the Series A Preferred Stock or the Note;

(iv) securities that have been approved for issuance or grant by the Holders of at least two-thirds of the outstanding shares of the Common Stock underlying the Warrants, on an as-exercised basis; or

(v) securities that are issued in conjunction with an acquisition or a non-financing strategic transaction approved by the Board of Directors *provided, however,* that in the aggregate the number of shares of Common Stock or securities convertible into Common Stock issued by the Company in conjunction with non-financing strategic transactions that are exempt from the foregoing provisions of this Section 3 shall be limited to 20% of the shares of Common Stock outstanding (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) immediately prior to the Date of Issuance.

(h) *Deferral of Certain Adjustments.* In any case in which this Section 3 requires that an adjustment as a result of any event become effective from and after a record date, the Company may elect to defer until after the occurrence of such event (A) issuing to the holder of any Warrant Shares exercised after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such exercise over and above the shares issuable on the basis of the Exercise Price and number of shares for which this Warrant is exercisable, each as in effect immediately before adjustment, and (B) paying to such holder any amount in cash in lieu of a fractional share of Common Stock pursuant to Section 11 below. In any such case the Company shall issue or cause a transfer agent to issue due bills or other appropriate evidence of the right to receive the shares the issuance of which is so deferred.

(i) *Deferral of Small Adjustments.* Any adjustment otherwise required by this Section 3 may be postponed until the date of the next adjustment otherwise required to be made

(or the date of exercise, if earlier) if such adjustment (together with any other adjustments postponed pursuant to this paragraph (i) and not theretofore made) would not require an increase or decrease of more than 0.5% in such Exercise Price or the shares issuable on exercise of this Warrant. All calculations under this Section 3 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

Section 4. *Covenants of the Company.*

(a) *Covenants As To Warrant Shares.* The Company covenants and agrees that all Warrant Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued and outstanding, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof. The Company further covenants and agrees that the Company will at all times during the Exercise Period, have authorized and reserved a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant. If at any time during the Exercise Period the number of authorized but unissued shares of Common Stock shall not be sufficient to permit exercise of this Warrant, the Company will take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

(b) *No Impairment.* Except and to the extent as waived or consented to by the Holder, the Company will not, by amendment of its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be appropriate in order to protect the exercise rights of the Holder against impairment.

(c) *Notices Of Record Date.* In the event of any taking by the Company of a record of the holders of the Common Stock for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, the Company shall mail to the Holder, at least 10 days prior to the date specified herein, a notice specifying the date on which any record is to be taken for the purpose of such dividend or distribution. If such notice shall not have been provided in a timely fashion in accordance with the preceding sentence, the Holder shall have 10 days following (i) the record date or (ii) the date on which such notice was provided, whichever is sooner, to exercise the Warrant pursuant Section 2 hereof, and such exercise shall be deemed to have occurred immediately prior to such record date.

Section 5. *No Rights as Stockholder.* Unless and until exercised in whole or in part, this Warrant shall not entitle the holder hereof to any voting rights or other rights as a stockholder of the Company.

Section 6. *Transfer of Warrant.* This Warrant may be transferred or assigned by the Holder hereof in whole or in part, only in accordance with the terms and restrictions contained in the Investor Rights Agreement, entered into as of the date hereof by and between the Company and the Investor, as such term is defined in the Investors Rights Agreement.

Section 7. *Warrant Exchangeable for Different Denominations.* Upon the consent of the Company, in its sole discretion, this Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for new Warrants of like tenor representing in the aggregate the purchase rights hereunder, and each of such new Warrants shall represent such portion of such rights as is designated by the Holder at the time of such surrender. The date the Company initially issues this Warrant shall be deemed to be the "Date of Issuance" hereof regardless of the number of times new certificates representing the unexpired and unexercised rights formerly represented by this Warrant shall be issued.

Section 8. *Replacement.* Upon receipt of evidence reasonably satisfactory to the Company of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing this Warrant, and in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or, in the case of any such mutilation upon surrender of such certificate, the Company shall execute and deliver in lieu of such certificate a new certificate of like kind representing the same rights represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

Section 9. *Notices.* Notices hereunder shall be made by hand delivery or by overnight courier. Except as otherwise expressly provided herein, all notices or other communications under this Warrant shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, and (iii) one (1) business day after being delivered by facsimile (with receipt of appropriate confirmation and with appropriate follow-up delivery by overnight courier) and addressed as follows: (a) to the Company, at its principal executive offices and (b) to the Holder of this Warrant, at such Holder's address as it appears in the records of the Company.

Section 10. *Holder's Representations on Exercise.* In connection with any exercise of the Warrant, the Holder and any Person receiving Warrant Shares shall be deemed to have represented as follows:

(a) The Warrant Shares to be received upon the exercise of the Warrant will be acquired for its own account, not as a nominee or agent, for investment and not with a view to the sale or distribution of any part thereof, and such Person has no present intention of selling, granting participation in or otherwise distributing the same, but subject, nevertheless, to any requirement of law and that the disposition of its property shall at all times be within its control.

(b) Such Person believes it has acquired sufficient information about the Company and its subsidiaries to reach an informed decision to purchase the Warrant Shares. Such Person has such business and financial experience as are required to give it the capacity to protect its own interests in connection with the purchase of the Warrant Shares.

(c) Such Person understands that the Warrant Shares are being offered in a transaction not involving any public offering within the meaning of the Securities Act, that such Warrant Shares have not been registered under the Securities Act and that it may not resell, pledge or otherwise transfer any of the Warrant Shares except pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration.

Section 11. *Fractional Shares.* No fractional shares shall be issued upon the exercise of this Warrant as a consequence of any adjustment pursuant hereto. All Warrant Shares (including fractions) issuable upon exercise of this Warrant may be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after aggregation, the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current Closing Price of a Warrant Share by such fraction.

Section 12. *Termination.* This Warrant shall terminate at the end of the Exercise Period and shall be void thereafter.

Section 13. *Amendment.* This Warrant shall not be amended except by an instrument in writing signed by the Company and the Holder hereof.

Section 14. *Descriptive Headings.* The headings herein are inserted for convenience of reference only and are not to be considered in interpreting this Warrant.

Section 15. *Governing Law.* THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE.

* * * *

IN WITNESS WHEREOF, THE COMPANY HAS CAUSED THIS WARRANT TO BE SIGNED BY A DULY AUTHORIZED OFFICER AND TO BE DATED THE DATE OF ISSUANCE HEREOF.

KORN/FERRY INTERNATIONAL

By: _____

Name:

Title:

EXHIBIT A
EXERCISE AGREEMENT

To:

Dated:

The undersigned, pursuant to the provisions set forth in the attached Warrant (Certificate No. _____), hereby agrees to subscribe for the purchase of _____ shares of Common Stock covered by such Warrant and encloses herewith a bank or certified check payable to Korn/Ferry International in the amount of \$_____.

[Insert if applicable—In lieu of delivering such check, the undersigned hereby requests the Company to deduct from the number of Warrant Shares to be delivered to the undersigned [such number of Warrant Shares as have a value, based upon the Closing Price (as defined in Section 1 of the attached Warrant) on the date on which the Company shall have received the items referred to in clause (i) of paragraph 2(b) of the attached Warrant], equal to the Aggregate Exercise Price.]

The undersigned hereby reaffirms as of the date hereof the representations made to the Company in Section 10 of the Warrant. The undersigned understands that the Company is relying on such representations.

Signature _____

Name _____

Address _____

SUBORDINATION AGREEMENT

This Subordination Agreement ("Agreement") dated as of June 13, 2002 is made by the undersigned persons (the "Initial Junior Creditors") and Korn/Ferry International, a Delaware corporation (the "Company") in favor of Bank of America, N.A. and the other Senior Creditors described herein, with reference to the following facts:

A. Pursuant to a Loan Agreement dated as of October 31, 2000 between the Company, and Bank of America, N.A., as sole Lender and as Administrative Agent (as at any time amended, extended, supplemented, replaced or supplanted, the "Loan Agreement"), Bank of America, N.A. has extended certain credit facilities to the Company. As of the date hereof, Bank of America is the sole Lender party to the Loan Agreement.

B. Pursuant to certain Convertible Subordinated Notes (the "Junior Notes") of even date herewith, true and correct copies of an exemplar of which are attached hereto as Exhibit A, the Initial Junior Creditors shall make loans to the Company in the aggregate principal amount of \$40,000,000.

C. The Initial Junior Creditors also shall make investments in the Convertible Series A Preferred Stock of the Company on the date hereof in the aggregate amount of \$10,000,000 (the "Junior Stock").

D. The Company and the Initial Junior Creditors have requested that Bank of America, N.A. execute an amendment to the Loan Agreement to permit the issuance of the Junior Notes and the Junior Stock.

NOW, THEREFORE, in order to induce Bank of America to amend the Loan Agreement as set forth above, and for other valuable consideration, the Initial Junior Creditors hereby agree as follows:

1. Definitions. The following terms are used with the respective meanings set forth after each:

1.1 "Allocable Amounts" when used with respect to any Senior Debt, means all amounts due or to become due on such Senior Debt, whether by way of principal, interest, fees, premiums, indemnification obligations, expenses or any other amounts of any type or nature, including any interest which accrues following the commencement of any Proceeding.

1.2 "Debt" means, with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed; (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person; (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (v) every capital lease obligation of such Person; (vi) all obligations for claims in respect of derivative products, including interest rate, foreign exchange rate and commodity forward contracts, options and swaps and similar arrangements; and (vii) every obligation of the type referred to in clauses (i) through (vi) of another Person and all dividends of another Person the payment of which, in either case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor or otherwise.

1.3 "Junior Creditor" means each person or entity at any time holding any of the Junior Notes or Junior Stock, and includes the Initial Junior Creditors.

1.4 “Junior Notes” has the meaning set forth in the recital hereto, and includes any instruments for which such Notes are exchanged, and any additional notes of the same character issued as payment in kind of interest in respect of such Notes.

1.5 “Junior Stock” has the meaning set forth in the recital hereto, and includes any instruments for which such Convertible Preferred Stock are exchanged, and any additional shares of the same character issued as payment in kind of dividends in respect of such shares.

1.6 “Senior Creditors” means all persons who at any time are the holders of Senior Debt, and includes without limitation Bank of America, in its capacity as a lender under the Loan Agreement referred to in Recital A hereto, and its assigns.

1.7 “Senior Debt” means the principal of (and premium, if any) and interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not such claim for post-petition interest is allowed in such proceeding), of (i) all Debt of the Company and its Subsidiaries under the Loan Agreement and the other Loan Documents referred to therein, whether incurred on or prior to this Agreement or hereafter incurred, and (ii) all Debt of the Company and its Subsidiaries under any credit facility or facilities which in form or substance refinance, extend, replace or supplant the Loan Agreement (unless, in the instrument creating or evidencing the such other credit facilities, it is provided that such obligations are not superior in right of payment to this the Junior Notes or the Junior Stock or to other Debt which is pari passu with, or subordinated to, the Junior Notes or the Junior Stock).

1.8 “Proceeding” is defined in Section 3.

1.9 “Subordinated Payment” is defined in Section 3.

1.10 “Subsidiary” means each corporation or other business entity more than 50% of the outstanding voting stock or other equity securities of which are owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries.

2. Representations of the Company and the Initial Junior Creditors. The Company and the Initial Junior Creditors severally represent and warrant to the Senior Creditors (with the understanding that these representations and warranties will survive the execution of this Agreement) that:

2.1 Each of the Initial Junior Creditor and the Company are authorized to execute and deliver this Agreement, and that this Agreement constitutes their legal, valid and binding agreement;

2.2 The copies of the Junior Notes and the Certificate of Designations for the Junior Stock attached hereto are true and correct and in all respects what they purport to be;

2.3 The holders of the Junior Notes and the Junior Stock do not have (and will not hereafter accept without the consent of Bank of America), any guarantees or other forms of suretyship support from the Subsidiaries of the Company or any collateral from the Company or any of its Subsidiaries for the Junior Notes or the Junior Stock (the Initial Junior Creditors acknowledging that they have been informed that the same would be prohibited by the Loan Agreement);

2.4 By their respective terms, no payment of cash or cash equivalents may be required under the Junior Notes or the Junior Stock prior to December 1, 2002, unless and to the extent that a mandatory redemption of the Junior Notes or the Junior Stock may be required by reason of the occurrence of a "Change of Control Event" as defined therein, other than the closing fees, expenses and other amounts payable on the date hereof, which are in an aggregate amount not to exceed \$4,500,000.

3. Subordination.

3.1 In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company (each such event, if any, referred to as a "Proceeding"), then the Senior Creditors shall be entitled to receive payment in full of all Allocable Amounts of the Senior Debt, or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to each of the Senior Creditors, before the Junior Creditors are entitled to receive or retain any payment or distribution of any kind or character, whether in cash, property or securities (including any payment or distribution which may be payable or deliverable by reason of the payment of any other Debt of the Company subordinated to the payment of the Junior Notes or the Junior Stock, such payment or distribution being hereinafter referred to as a "Subordinated Payment"), on account of the Junior Stock or the Junior Notes. In furtherance thereof the Senior Creditors shall be entitled to receive, for application to the payment of the Senior Debt, any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in respect of the Junior Stock or the Junior Notes in any such Proceeding.

3.2 In the event that, notwithstanding the foregoing provisions of this Section, any Junior Creditor shall have received any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities in respect of the Junior Stock or the Junior Notes, including any Subordinated Payment, before all Allocable Amounts of all Senior Debt are paid in full or payment thereof is provided for in cash or cash equivalents or otherwise in a manner satisfactory to each of the Senior Creditors, then and in such event such payment or distribution shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Allocable Amounts of all Senior Debt remaining unpaid, to the extent necessary to pay all Allocable Amounts of all Senior Debt in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

3.3 As used herein, the phrase "any payment or distribution of any kind or character, whether in cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which securities are subordinated in right of payment to all then outstanding Senior Debt to substantially the same extent as the Junior Notes and the Junior Stock are subordinated as provided herein.

3.4 No right of any present or future Senior Creditor to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms and provisions and covenants of the Junior Notes, the Junior Stock or this Agreement, regardless of any knowledge thereof which such Senior Creditor may have or be otherwise charged with. The Senior Creditors may extend, renew, replace, modify or amend the terms of the Senior Debt, including increasing the principal amount thereof or the interest rates thereon, or any security or guarantee thereof or therefor, fail to perfect any lien or security

interest therefor, and release, sell, exchange or enforce such security or guarantee or elect any right or remedy, or delay in enforcing, or release any right or remedy or otherwise deal freely with the Company and any security for the Senior Debt all without notice to the Junior Creditors and all without affecting the liabilities and obligations of the Junior Creditors under this Agreement, even if any right of reimbursement or subrogation or other right or remedy of the Junior Creditors are extinguished, affected or impaired thereby. The Senior Creditors shall not be required to marshal assets for the benefit of the Junior Creditors, and may proceed to enforce any remedies held by them in any manner or order whatsoever. In addition, any of the Senior Creditors may at any time enter into agreements extending credit to the Company, its Subsidiaries or the Junior Creditors without affecting the liabilities and obligations of any of the Junior Creditors or the Company under this Agreement.

The parties hereto acknowledge that the various agreements between the Company and the Junior Creditors may limit the ability of the Company to enter into amendments or modifications of the Loan Documents with the Senior Creditors and nothing herein shall be deemed to have released the Company from any such limitations.

3.5 It is expressly agreed that, except as set forth in Section 2 hereof, there is no restriction on the payment of distribution on or in respect of the Junior Notes or the Junior Stock during the pendency of any Proceeding.

3.6 Nothing herein shall affect the relative priority as between the holders of the Junior Notes, on the one hand, and the holders of the Junior Stock, on the other hand, to distributions out of assets of the Company upon any liquidation, dissolution or bankruptcy or insolvency proceeding involving the Company.

4. Proofs of Claim. The Junior Creditors shall file appropriate proofs of claim in any Proceeding in respect of the Company not later than 10 days prior to the bar date therefor and, in the event of their failure to do so, Bank of America (or if Bank of America is not then a Senior Creditor, any other Senior Creditor holding Debt of the Company in excess of \$5,000,000) may do so as the attorney in fact of the relevant Junior Creditor, hereby being appointed by the relevant Junior Creditors to do so (such appointment being coupled with an interest and irrevocable).

5. Voting of Claims. Each Junior Creditor may vote its own claim in any Proceeding, but shall not do so in a manner which would result in the approval of any plan of reorganization which is objected to by any class of Senior Creditors which is not immediately and fully paid in cash pursuant to that plan.

6. Acknowledgement Re Payments. Each of the Junior Creditors acknowledges and agrees that all amounts payable with respect to the Junior Notes and the Junior Stock when any Proceeding is pending, including without limitation (a) principal, interest, fees, expenses, premium and all other amounts payable in respect of the Junior Notes, and (b) the principal amount of, dividends, distributions, redemption payments and all other amounts payable in respect of the Junior Notes, whether such rights to payment arise before or after the commencement of any such Proceeding, and regardless of any claim or demand made in respect of any such amounts prior to the commencement of any such Proceeding, shall be junior and subordinate to the payment and performance of the Senior Obligations in the manner contemplated by this Agreement.

7. Legends. The Company agrees that each instrument, document or agreement evidencing the Junior Stock and the Junior Notes shall bear the following conspicuous legend:

“This instrument is subject to subordination in the manner, and to the extent, set forth in that certain Subordination Agreement dated as of June 13, 2002 made by Korn/Ferry International (the “Company”) and certain other persons in favor of Bank of America and certain Senior Creditors, a copy of which may be obtained from the Company.”

8. Payments in Kind. Nothing herein shall prevent the Company from making, or the Junior Creditors from taking and receiving, payments in kind or conversion to common stock in respect of the Junior Notes and the Junior Stock consisting of the issuance of additional Junior Notes and additional Junior Stock of the same character.

9. Attorneys Fees and Expenses of Enforcement. In any action or proceeding to enforce the terms of this Agreement, the prevailing party shall be entitled to recover their reasonable attorney’s fees and costs, in addition to such other relief as the court, arbitrator or other tribunal may award.

10. Governing Law. THIS AGREEMENT NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, AND WITHOUT REFERENCE TO THE CONFLICT OF LAWS OR CHOICE OF LAWS PROVISIONS THEREOF.

11. Arbitration Reference.

11.1 Arbitration. Any controversy or claim between or among the parties hereto arising out of or relating to this Agreement or any agreements or instruments relating hereto or delivered in connection herewith, shall at the request of any party be determined by arbitration. The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code), notwithstanding any choice of law provision in this Agreement, and under the Commercial Rules of the American Arbitration Association (“AAA”). The arbitrators shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrators. Judgment upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

11.2 Judicial Reference. A controversy or claim which is not submitted to arbitration as provided and limited in subparagraph (a) shall, at the request of any party, be determined by a reference in accordance with California Code of Civil Procedure Sections 638 et seq. If such an election is made, the parties shall designate to the court a referee or referees selected under the auspices of the AAA in the same manner as arbitrators are selected in AAA-sponsored proceedings. The presiding referee of the panel, or the referee if there is a single referee, shall be an active attorney or retired judge. Judgment upon the award rendered by such referee or referees shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

11.3 Provisional Remedies, Self-Help and Foreclosure. No provision of this section shall limit the right of any party to this Agreement to exercise self-help remedies such as setoff, to foreclose against or sell any real or personal property collateral or security or to obtain provisional or ancillary remedies from a court of competent jurisdiction before, after, or during the pendency of any arbitration or other proceeding. The exercise of a remedy does not waive the right of either party to resort to arbitration or reference.

12. Counterparts. This Agreement may be executed in counterparts, and by the various parties on different counterparts.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above by their duly authorized representatives.

“Junior Creditors”

Friedman Fleischer & Lowe Capital Partners, L.P.

By: Friedman Fleischer & Lowe, GP, LLC,
its General Partner

By: _____ /s/ DAVID L. LOWE

Name: David L. Lowe
Title: Senior Managing Member

Initial Investment in Junior Stock \$9,822,000, Initial Investment in Junior Notes \$39,289,240.

FFL Executive Partners, L.P.

By: Friedman Fleischer & Lowe, GP, LLC,
its General Partner

By: _____ /s/ DAVID L. LOWE

Name: David L. Lowe
Title: Senior Managing Member

Initial Investment in Junior Stock \$178,000, Initial Investment in Junior Notes \$ 710,760.

By executing this Agreement in the space provided below, the Company consents hereto and agrees that it shall not make any payments which are prohibited by the terms hereof.

Korn/Ferry International, a Delaware corporation

By: _____ /s/ GARY D. BURNISON

Name: Gary D. Burnison
Title: Chief Financial Officer

Accepted:

BANK OF AMERICA, N.A.

By: _____ /s/ RONALD PARISI

Name: Ronald Parisi
Title: Senior Vice President

**KORN/FERRY INTERNATIONAL
INVESTOR RIGHTS AGREEMENT
JUNE 13, 2002**

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INVESTOR RIGHTS AGREEMENT

This Investor Rights Agreement (the “**Agreement**”) is entered into as of the 13th day of June, 2002, by and among Korn/Ferry International, a Delaware corporation (the “**Company**”), and each of the entities, severally and not jointly, whose names are set forth on the signature page hereto (which entities are hereinafter collectively referred to as the “**Investors**” and each individually as an “**Investor**”).

Recitals

WHEREAS, the Company and the Investors have entered into the Purchase Agreement, dated as of even date herewith (the “**Purchase Agreement**”), providing for, among other things, the sale by the Company and the purchase by the Investors of (i) 10,000 shares (the “**Shares**”) of the Company’s 7.5% Convertible Series A Preferred Stock, par value \$0.01 per share (the “**Series A Preferred Stock**”), (ii) its 7.5% Convertible Subordinated Notes due 2010, in an aggregate principal amount of \$40,000,000 (the “**Notes**”) and (iii) eight-year warrants (the “**Warrants**”) to purchase 272,727 shares of the Company’s Common Stock, par value \$0.01 per share (the “**Common Stock**”).

WHEREAS, this Agreement is a condition of the obligations of the Investors’ obligation to purchase, and the Company’s obligation to sell, the Shares, the Notes and the Warrants pursuant to the Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, hereinafter set forth, the parties hereto agree as follows:

Section 1. Definitions Terms defined in the text of this Agreement shall have the meanings provided and the following terms shall have the meanings provided below:

“**Affiliate**” means a person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, the specified person.

“**Closing Date**” means the date on which the closing of the purchase of the Shares, the Notes and the Warrants contemplated by the Purchase Agreement occurs.

“**Change of Control Event**” means (i) a sale, conveyance or disposition of all or substantially all the assets of the Company, (ii) the effectuation of a transaction (including a merger, consolidation, recapitalization or other reorganization) or series of related transactions as a result of which 50% or more of the issued and outstanding voting securities of the resulting entity are beneficially owned by a person, corporation, entity or group other than the stockholders of the Company immediately prior to such transactions or (iii) the effectuation of a transaction (including a merger, consolidation, recapitalization or other reorganization) or series of related transactions as a result of which any person or “group” (within the meaning of Section 13(d)(3) of the Exchange Act),

shall succeed in having a sufficient number of its nominees elected to the Company's Board of Directors such that such nominees will constitute a majority of the Board of Directors.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fundamental Change" means any transaction (including any merger, consolidation, recapitalization or other reorganization) or series of related transactions as a result of which all or substantially all of the outstanding Common Stock is converted into or exchanged for stock, other securities, cash or assets.

"Form S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"Holder" means (i) any party to this Agreement that is a holder of Registrable Securities or securities convertible into Registrable Securities, in each case that have not been sold to the public, or (ii) any permitted assignee of such Registrable Securities in accordance with Section 2.7 hereof.

"Prospectus" means the prospectus included in any registration statement, all amendments and supplements to such prospectus, including post-effective amendments, and all other material incorporated by reference in such prospectus.

"Register," "registered," and **"registration"** refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement.

"Registrable Securities" means (i) Common Stock of the Company issued or issuable upon conversion of the Shares, or the Notes or exercise of the Warrants; and (ii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend, as interest or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Securities shall not include any securities sold by a person to the public either pursuant to an effective registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under this Agreement are not assigned.

"Registrable Securities then outstanding" shall be the number of shares determined by calculating the total number of shares of the Company's Common Stock that are Registrable Securities and either (1) are then issued and outstanding or (2) are issuable pursuant to then exercisable or convertible securities.

“Registration Expenses” shall mean all expenses incurred by the Company in complying with Section 2.2 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

“SEC” means the Securities and Exchange Commission or any successor agency.

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

“Selling Expenses” shall mean all underwriting discounts and selling commissions applicable to the sale.

Section 2. Restrictions on Transfer; Registration

2.1 Restrictions on Transfer

(a) Each Holder shall not make any disposition of all or any portion of the Shares, Notes, Warrants or Registrable Securities except upon the conditions specified in this Agreement. Any transferee of such securities shall take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) In addition, each Holder shall not make any disposition of all or any portion of the Shares, Notes, Warrants or Registrable Securities unless and until:

(i) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) (A) The transferee has agreed in writing to be bound by the terms of this Agreement, (B) such Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a reasonably detailed statement of the circumstances surrounding the proposed disposition, and (C) if reasonably requested by the Company, such Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such securities under the Securities Act; *provided, however*, that each Investor may transfer any portion of the Shares, Notes, Warrants or Registrable Securities to up to five (5) of its Affiliates (or partners, or members, as the case may be; such partners or members shall be deemed to be Affiliates for purposes of this Agreement) without being required to furnish the documentation provided for in clause (B) or (C) of this Section 2.1(b)(ii), and *provided, further*, that such transferee must establish

to the reasonable satisfaction of the Company that such transferee is an “accredited investor” within the meaning of the Securities Act.

(c) Each certificate representing Shares, Notes, Warrants or Registrable Securities shall, unless otherwise permitted by the provisions of the Purchase Agreement, bear a legend substantially similar to the following (in addition to any legend required under applicable state securities laws, the “**Legend**”):

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, UNLESS AND UNTIL REGISTERED UNDER THE SECURITIES ACT OR THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

THE SECURITIES EVIDENCED HEREBY ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE INVESTOR RIGHTS AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY. SUCH TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SECURITIES.

(d) The Company shall be obligated to reissue promptly unlegended certificates at the request of any holder thereof if the Holder shall have obtained an opinion of counsel reasonably satisfactory to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend

2.2 Form S-3 Registration

(a) On or prior to the 90th calendar day following the Closing Date, the Company shall file with the SEC a registration statement on Form S-3 (or any successor form to Form S-3) pursuant to Rule 415 under the Securities Act (the “**Shelf Registration Statement**”) covering the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by such Holders and set forth in the Shelf Registration Statement and, thereafter, shall use its best efforts to cause such Shelf Registration Statement to be declared effective under the Securities Act as quickly as possible but in any event no later than 180 calendar days after the date of filing of the Shelf Registration Statement.

(b) Notwithstanding Section 2.2(a), the Company shall be entitled to postpone the declaration of effectiveness of the Shelf Registration Statement for a reasonable period of time, but not in excess of 45 days after the date the SEC has informed the Company that the Shelf

Registration Statement will not be reviewed or that the SEC has no further comments with regard to the Shelf Registration Statement, if the Board of Directors of the Company (the “**Board**”), acting in good faith and following consultation with legal counsel, determines that there exists material non-public information about the Company which the Board does not wish to disclose in a Prospectus, which information would otherwise be required to be disclosed in any Prospectus filed with the SEC by the Company.

(c) Subject to Sections 2.2(b) and 2.2(e), the Company shall be required to keep such Shelf Registration Statement continuously effective under the Securities Act in order to permit the Prospectus forming a part thereof to be useable by Holders until such time as there are no outstanding Registrable Securities (such period of effectiveness, the “**Shelf Period**”).

(d) The Company shall:

(i) Notify the selling Holders, at any time when a prospectus relating to the Shelf Registration Statement is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in or relating to the Shelf Registration Statement contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading; and, thereafter, the Company will promptly (and in any event within 10 business days) prepare (and, when completed, give notice to each selling Holder) a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein in light of the circumstances under which they were made not misleading; and

(ii) Use reasonable best efforts to register and qualify the Registrable Securities covered by the Shelf Registration Statement under such other securities or blue sky laws of such jurisdictions as shall be appropriate in the opinion of the Company, *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, and *provided further* that (notwithstanding anything in this Agreement to the contrary with respect to the bearing of expenses) if any jurisdiction in which any of such Registrable Securities shall be qualified shall require that expenses incurred in connection with the qualification therein of any such Registrable Securities must be borne by the selling Holders and may not be paid or reimbursed by the Company, then the selling Holders shall, to the extent required by such jurisdiction, pay their pro rata share of such qualification expenses.

(e) The Holder agrees that, upon receipt of any notices from the Company of (i) the happening of any event which makes any statements made in the Shelf Registration Statement or related prospectus filed pursuant to this Agreement, or any document incorporated or

deemed to be incorporated therein by reference, untrue in any material respect or which requires the making of any changes in such Shelf Registration Statement or prospectus so that it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein in light of the circumstance under which they were made not misleading or (ii) that, in the judgment of the Company's Board of Directors, it is advisable to suspend use of the prospectus for a discrete period of time due to pending corporate developments which are or may be material to the Company but have not been disclosed in the Shelf Registration Statement or in relevant public filings with the SEC, or (iii) the SEC has issued a stop order suspending the effectiveness of the Shelf Registration Statement, the Holder will forthwith discontinue disposition of the Shares covered by such Shelf Registration Statement or prospectus until it is advised in writing by the Company that use of the applicable prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such prospectus. The Company shall use reasonable best efforts to insure that the use of the prospectus may be resumed as soon as practicable, and in any event shall not be entitled to require the Holder to suspend use of the prospectus, and shall not permit the Holder's selling pursuant to the prospectus to be suspended, for more than 30 consecutive days or more than an aggregate of 90 days in any twelve month period.

(f) The Company will cause its Common Stock to continue to be registered under Section 12(g) or 12(b) of the Exchange Act, will comply in all respects with its reporting and filing obligations under the Exchange Act, and will not take any action nor file any document (whether or not permitted by the Exchange Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act. The Company will use its reasonable best efforts to continue the listing and trading of the Common Stock on the New York Stock Exchange or other comparable trading market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the NASD and the relevant exchange. The Company's obligations under this Section 2.2(f) shall not apply in the case of a Fundamental Change or other similar event in which the Common Stock shall as a result cease to be required to be registered under Section 12(g) or 12(b) of the Exchange Act.

(g) Promptly after the Closing Date the Company will issue to the transfer agent for its Common Stock (and to any substitute or replacement transfer agent for its Common Stock coterminous with the Company's appointment of any such substitute or replacement transfer agent) instructions as set forth below. Such instructions shall be irrevocable by the Company from and after the issuance thereof. The intent and purpose of such instructions shall be to require the transfer agent for the Common Stock from time to time to issue certificates evidencing Registrable Securities free of the Legend during the following periods and under the following circumstances and without consultation by the transfer agent with Company or its counsel and without the need for any further advice or instruction to the transfer agent by or from the Company or its counsel:

(i) At any time from and after the effectiveness of the Shelf Registration Statement, and so long as the Shelf Registration Statement continues to be effective and (1) no suspension period pursuant to Section 2.2(e) of this Agreement is then in effect, and (2) no stop order, injunction or other order of the SEC or other applicable governmental authority with appropriate jurisdiction is then in effect suspending effectiveness of the Shelf Registration Statement, upon any surrender of one or more certificates evidencing Registrable Securities and which bear the Legend, to the extent accompanied by a notice requesting the issuance of new certificates free of the Legend to replace those surrendered; and

(ii) At any time from and after the Closing Date, upon any surrender of one or more certificates evidencing Registrable Securities and which bear the Legend, to the extent accompanied by a notice requesting the issuance of new certificates free of the Legend to replace those surrendered and containing or also accompanied by representations, and an opinion of counsel, if such shall be required by the transfer agent, that the intended sale or other disposition of such stock, whether or not pursuant to the Shelf Registration Statement, will not be a sale or disposition subject to the registration requirements of the Securities Act.

(h) The Company agrees that upon conversion of the Notes or Shares, or the exercise of the Warrants, into Common Stock in accordance with the respective terms of the Notes, Certificate of Designations of the Shares and Warrants, the Company will issue to the transfer agent irrevocable instructions requiring the transfer agent for the Common Stock to issue certificates evidencing the Common Stock issuable upon such conversion or such exercise without the need for any further advice or instruction to the transfer agent by or from the Company or its counsel.

2.3 Expenses of Registration. All Registration Expenses shall be borne by the Company. All Selling Expenses, if any, incurred in connection with any registrations hereunder, shall be borne by the Holders of the securities so registered *pro rata* on the basis of the number of Registrable Securities so registered.

2.4 Obligations of the Company. Subject to the limitations of Sections 2.1 and 2.6, whenever required to effect the registration of or maintain the effectiveness of the Shelf Registration Statement for the Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC such amendments and supplements to such registration statement and the Prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the Shelf Period.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the Prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such number of copies of a Prospectus, including a preliminary Prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

2.5 Delay of Registration; Furnishing Information

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as a result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(b) It shall be a condition precedent to the obligations of the Company to register Registrable Securities held by any Holder that such selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities. The Company may exclude from such registration the Registrable Securities of any Holder that fails to furnish such information.

2.6 Indemnification

(a) To the extent permitted by law, the Company shall indemnify and hold harmless each Holder against any losses, claims, damages or liabilities (joint or several) to which it may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each, a “**Violation**”) by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement filed as set forth in this Agreement, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company shall pay as reasonably incurred to each such Holder any

legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided however, that the indemnity agreement contained in this Section 2.6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action (i) to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration or (ii) with respect to any preliminary Prospectus to the extent such loss, claim, damage, liability or action results from the fact that Holder sold Registrable Securities to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final Prospectus in any case where such delivery is required by the Securities Act if the Company has previously furnished copies thereof to such Holder on a timely basis, and the loss, claim, damage or liability of such Holder results from an untrue statement or omission of a material fact contained in the preliminary Prospectus which was corrected in the final Prospectus.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify and hold harmless the Company and any other Holder selling securities under such registration statement against any losses, claims, damages or liabilities (joint or several) to which the Company or other such Holder, may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay any legal or other expenses reasonably incurred by the Company or other Holder in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 2.6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 2.6 exceed the proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying

party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a commercially reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.6.

(d) If the indemnification provided for in this Section 2.6 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the proceeds from the offering received by such Holder.

(e) The obligations of the Company and the Holders under this Section 2.6 shall survive completion of any offering of Registrable Securities in a Shelf Registration Statement and the termination of this Agreement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(f) The obligations of the Company under this Section 2.6 shall extend, upon the same terms and conditions, to each officer, director and partner of each Holder and underwriter and each person, if any, who controls any Holder or underwriter within the meaning of the Securities Act; and the obligations of the Holders or underwriters contemplated by this Section 2.6 shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his consent, is named in any registration statement as about to become a director of the Company) and to each person, if any, who controls the Company within the meaning of the Securities Act.

2.7 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder only to a transferee or assignee of Registrable Securities or securities convertible into such Registrable Securities (i) that acquires thereby at least one-half percent (0.5%) of the outstanding Common Stock of the Company (as measured on a fully-diluted, as-converted basis) or (ii) that acquires the Registrable Securities in or securities convertible into such Registrable Securities in connection with a distribution of all or a portion of the Holder's Registrable Securities (or securities convertible into such Registrable Securities) to its partners or members pro rata in accordance with their partnership interests as set forth in the partnership agreement governing the Holder making such distribution; *provided, however*, that (A) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (B) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

2.8 Amendment of Registration Rights. Any provision of this Section 2 may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of at least a majority of the Registrable Securities then outstanding; *provided, however*, that if such amendment adversely affects the Registrable Securities held by a non-consenting Holder in a manner different than that of a consenting Holder, then such amendment or waiver shall require the consent of such adversely affected non-consenting party; *provided, further*, that any waiver or amendment of this Section 2.8 shall require the consent of all parties to this Agreement. Any amendment or waiver effected in accordance with this Section 2.8 shall be binding upon each Holder and the Company. By acceptance of any benefits under this Section 2, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

2.9 Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 promulgated under the Securities Act or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon such Holder's reasonable request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 promulgated under the Securities

Act, and of the Exchange Act; a copy of the most recent annual or quarterly report of the Company, to the extent such reports are not available on the web site maintained by the SEC; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

2.10 Registration Default

(a) Additional dividends (the “**Additional Dividends**”) with respect to the Series A Preferred Stock shall accrue in accordance with the Certificate of Designations relating to such Series A Preferred Stock and additional interest (the “**Additional Interest**”) with respect to the Notes shall accrue in accordance with its terms if any of the following events occur during such time as there are Registrable Securities issued or issuable upon conversion of the Series A Preferred Stock or the Notes (each such event in clauses (i) through (iii) below being hereinafter called a “**Registration Default**”): (i) the Shelf Registration Statement has not been filed with the SEC on or before the 90th calendar day following the Closing Date; (ii) the Shelf Registration Statement has not been declared effective by the SEC on or before the 180th calendar day after the date of filing of the Shelf Registration Statement; or (iii) the Shelf Registration Statement is declared effective by the SEC but the Shelf Registration Statement thereafter ceases to be effective at any time during which Registrable Securities are outstanding.

(b) If a Registration Default exists and is continuing, and either (i) the Shelf Registration Statement has not been declared effective by the SEC on or before the 365th calendar day after the Closing Date or (ii) the Shelf Registration Statement is declared effective by the SEC but the Shelf Registration Statement thereafter ceases to be effective and such failure to be effective continues for a period of 90 consecutive calendar days, or more than 120 days in any 365 day period, the holders of the Series A Preferred Stock and the Notes shall have the right on such 365th or 91st or 121st day, as the case may be, to require the Company to redeem the outstanding shares of Series A Preferred Stock in accordance the Certificate of Designations relating to such Series A Preferred Stock or the Notes in accordance with its terms (the “**Registration Default Redemption Right**”).

(c) Any Registration Default shall cease to continue, and all Additional Dividends and Additional Interest shall cease to accrue and the Registration Default Redemption Right shall cease be exercisable, upon the earlier of (i) the date on which such Registration Default is cured or (ii) such date on which there are no longer any Registrable Securities issued or issuable upon conversion of the Series A Preferred Stock or Notes, as applicable.

Section 3. Covenants of the Company

3.1 Financial Information and Reporting. The Company will maintain books and records of account in which entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with generally accepted accounting

principles consistently applied, and will report its financial results in accordance with the applicable rules of the Securities Act and the Exchange Act.

3.2 Inspection Rights. Each Holder that holds at least one percent (1%) of the outstanding shares of Common Stock (on an as-converted basis) shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, and to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with its officers, and to review such books, records and other information as is reasonably requested, all at such reasonable times and as often as may be reasonably requested. Notwithstanding the foregoing, the Company shall not be obligated under this Section 3.2 with respect to a competitor of the Company or if compliance with any such obligation would violate any applicable Federal or state law.

3.3 Confidentiality of Records. Each Holder agrees to use, and to use its all reasonable best efforts to insure that its Representatives (as defined below) use, the same degree of care as such Holder uses to protect its own confidential information to keep confidential any information furnished to it which the Company identifies as being confidential or proprietary (so long as such information is not in the public domain), except that such Holder may disclose such proprietary or confidential information to any Representative of such Holder for the purpose of evaluating its investment in the Company as long as such Representative is advised of the confidentiality provisions of this Section 3.3 unless such information is publicly available or if disclosure is requested or compelled by legal proceedings, subpoena, civil investigative demands or similar processes.

3.4 Restrictions on Agreements.

The Company will not, directly or indirectly, enter into any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of the Company to make any payments required pursuant to the terms of the Note or of the Series A Preferred Stock.

Section 4. Board Composition

4.1 Directors. The Company shall within 10 Business Days of the Closing Date increase the size of its Board by two and fill the vacancies with the representatives designated (as provided below) by the Investors (each, a "**Designated Director**"). One of the Designated Directors shall be in a class whose terms ends in 2002 and the other in a class whose term ends in 2004. For so long as the original Investors as of the Closing Date and/or their Affiliates together hold at least 50% of the shares of Series A Preferred Stock and the principal amount of the Notes issued on the Closing Date, the Investors shall have the right to designate a maximum two (2) Designated Directors, and the Board shall recommend at each meeting of shareholders at which any Designated Director is to be elected to include a Designated Director in the Board's slate of nominees for election to the Board or to fill a vacancy left by a departed Designated Director, in each case in order so that there may be two Designated Directors, and shall not take any action which is inconsistent

with making such recommendation. For so long as the original Investors as of the Closing Date and/or their Affiliates together hold at least 30% of the shares of Series A Preferred Stock and the principal amount of the Notes issued on the Closing Date, the Investors shall have the right to designate one (1) Designated Director, and the Board shall recommend at each meeting of shareholders at which such Designated Director is to be elected to include such Designated Director in the Board's slate of nominees for election to the Board or to fill a vacancy left by a departed Designated Director, in each case in order so that there may be one Designated Director, and shall not take any action which is inconsistent with making such recommendation. With respect to any Holder, any calculation of ownership of shares of Series A Preferred Stock and principal amount of the Notes under this Section 4 shall include the Common Stock issued in conversion of Series A Preferred Stock or the Notes held by such Holder. Notwithstanding the foregoing, the Company may refuse a request by the Investors to designate (or continue to designate) a particular person if the Board determines that such person is subject to removal for cause or that such person's status as a director would raise significant regulatory or competitive issues. In such case, the Investors may designate a substitute person who would not be so disqualified. In the event that the shareholders do not elect a Designated Director at a meeting of shareholders at which such Designated Director is nominated for election, then the Board shall convene a Board meeting promptly at which it shall increase the size of the Board by one member and appoint such Designated Director to the Board, subject to the numerical limitations contained in the Company's Certificate of Incorporation.

4.2 Senior Management Change. If Paul C. Reilly ceases to be the Chief Executive Officer of the Company (a "**Senior Management Change**"):

(a) approval of the Designated Directors or the Designated Director, as the case may be, will be required for any action which results in:

(i) total debt (net of cash and excluding the aggregate principal amount of all outstanding Notes) of the Company in excess of the greater of (a) \$75 million or (b) the product of 2.5 and the cumulative consolidated earnings before interest, taxes, depreciation and amortization of the Company for its most recent four fiscal quarters; or

(ii) the acquisition of stock, assets or businesses by the Company for aggregate consideration in excess of \$50 million in any single transaction;

(b) the Designated Directors or the Designated Director, as the case may be, shall have the right to serve on any search committee appointed by the Board for the purpose of finding a replacement Chief Executive Officer; and

(c) approval by three-fourths of the Board will be required in order for the Company to enter into any transaction the consummation of which would constitute a Change of Control Event.

Each of the obligations and provisions of this Section 4.2 will terminate and have no further force or effect when the Investors have no right pursuant to Section 4.1 to designate a Designated Director.

Section 5. Standstill Agreement. Each Holder hereby covenants to and agrees with the Company that, during the period of this Agreement, such Holder will not, and shall cause his or its affiliates, officers, directors, employees, counsel, investment bankers, consultants and other representatives (such persons being generally referred to herein as “**Representatives**”) not to (and such Holder and its Representatives will not assist or form a “group” within the meaning of Section 13(d)(3) of the Exchange Act to act in concert or participate with or encourage other persons to), directly or indirectly, other than as permitted by this Agreement, (i) acquire or offer to acquire, seek, propose or agree to acquire, by means of a purchase, tender or exchange offer, business combination or in any other manner, beneficial ownership of any Common Stock or other securities of the Company, including rights or options to acquire such ownership, (ii) seek or propose to influence, advise, change or control the management, the Board, governing instruments or policies or affairs of the Company in any way, including, without limitation, by means of a solicitation of proxies (as such terms are defined in Rule 14a-1 under the Exchange Act), or by means of the submission or promotion or other support of any “proposal”, including any proposals as defined in Rule 14a-8 under the Exchange Act and (iii) seek or propose to influence, advise or direct the vote of any holder of Common Stock or other securities of the Company; *provided, however*, that the Holder may take any of the foregoing actions listed in (ii) or (iii) above if such actions are in good faith (A) not taken with the aim, intent or effect of controlling the Board or the Company or (B) appointing additional members to the Board besides the Designated Directors. The Holders agree that they will not appoint or cause to be appointed any directors (each, a “Holder Director”) by any of the foregoing means to, or permit any Holder Director to serve on, the Board if the number of Holder Directors thereon, including the Designated Directors, would be more than the number of Designated Directors provided for by Section 4 hereof. The term “person” as used in this Section 5 shall be broadly interpreted to include, without limitation, the media and any corporation, company, group, partnership or individual. The term “affiliate” as used in this Section 5 shall have the meaning ascribed to such term in Rule 12b-2 under the Exchange Act. The term “control” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

Section 6. Rights of First Refusal

6.1 Subsequent Offerings. Each Holder shall have a right of first refusal to purchase its pro rata share of all Equity Securities, as defined below, that the Company may, from time to time, propose to sell and issue after the date of this Agreement, other than the Equity Securities excluded by Section 6.4 hereof. Each Holder’s pro rata share is equal to the ratio of (a) the number of shares of the Common Stock into which the shares of Series A Preferred Stock and the Notes that such Holder holds immediately prior to the issuance of such Equity Securities are convertible and for

which the Warrants that such Holder holds immediately prior to the issuance, such Equity Securities are exercisable to (b) the total number of shares of the Company's outstanding Common Stock (including all shares of Common Stock issued or issuable upon conversion of any convertible security or upon the exercise of any rights, warrants or options) immediately prior to the issuance of the Equity Securities. The term "**Equity Securities**" shall mean (i) any Common Stock or preferred stock of the Company, (ii) any security convertible, with or without consideration, into any Common Stock or preferred stock (including any option to purchase such a convertible security) (iii) any warrant or right to subscribe to or purchase any Common Stock, preferred stock or other security.

6.2 Exercise of Rights. If the Company proposes to issue any Equity Securities, it shall give each Holder with a pro rata right pursuant to Section 6.1 written notice of its intention, describing the Equity Securities, the price and the terms and conditions upon which the Company proposes to issue the same. Each Holder shall have fifteen (15) days from the giving of such notice to agree to purchase its pro rata share of the Equity Securities for the price and upon the terms and conditions specified in the notice by giving written notice to the Company and stating therein the quantity of Equity Securities to be purchased. If the Company proposes to issue the Equity Securities in an underwritten offering, the Holder shall only have the right to purchase its Equity Securities from the underwriters or the Company at the same time as the other purchases in such offering. Notwithstanding the foregoing, the Company shall not be required to offer or sell such Equity Securities to any Holder who would cause the Company to be in violation of applicable federal or state securities laws by virtue of such offer or sale.

6.3 Transfer of Rights of First Refusal. The rights of first refusal of each Holder under this Section 6 may be transferred to the same parties, subject to the same restrictions, as any transfer of registration rights pursuant to Section 2.7.

6.4 Excluded Securities. The rights of first refusal pursuant to this Section 6 shall have no application to any of the following:

(a) Equity Securities issued upon conversion of the Shares or the Notes or exercise of the Warrants, or distributed pursuant to any pay-in-kind dividend or distribution features thereof;

(b) Equity Securities issued or to be issued to employees, officers or directors of, or consultants or advisors to, the Company or any subsidiary, pursuant to the Company's stock option, performance award or employee benefit plan;

(c) Equity Securities issued for consideration other than cash pursuant to a merger, consolidation, acquisition or similar business combination, which transaction is approved by the stockholders if, and to the extent required by, the Certificate of Incorporation of the Company;

(d) Equity Securities issued in connection with strategic transactions involving the Company and other entities, provided that the primary purpose of such transaction is not equity financing; and

(e) Equity Securities issued in connection with any stock split, stock dividend or recapitalization by the Company.

Section 7. Miscellaneous

7.1 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware.

7.2 Successors and Assigns. Except as otherwise expressly provided herein, rights and obligations hereunder may not be assigned by a Holder or the Company without the prior written consent of the other. The provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the parties hereto; provided, however, that prior to the receipt by the Company of adequate written notice of the transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the person listed as the holder of such securities in its records as the absolute owner and holder of such securities for all purposes.

7.3 Entire Agreement. This Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

7.4 Severability. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7.5 Amendment and Waiver

(a) Except as otherwise expressly provided in this Agreement, this Agreement may be amended or waived only with the written consent of the Company and the Holders of a majority of the Registrable Securities then outstanding.

(b) Notwithstanding the foregoing, this Agreement may be amended with only the written consent of the Company to include additional persons as "Investors," "Holders" and parties hereto subject to the limitations set forth in Sections 2.7 and 6.3 hereof.

7.6 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach, default or noncompliance of another Party under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on any party's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

7.7 Notices. Notices hereunder shall be made by hand delivery or by overnight courier. Except as otherwise expressly provided herein, all notices or other communications under this Agreement shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, and (iii) one (1) business day after being delivered by facsimile (with receipt of appropriate confirmation and with appropriate follow-up delivery by overnight courier) and addressed as follows: (a) to the Company, at its principal executive offices and (b) to the Holder, at such Holder's address as it appears in the records of the Company.

7.8 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Investor Rights Agreement as of the date set forth in the first paragraph hereof.

COMPANY:

KORN/FERRY INTERNATIONAL

By: _____ /s/ GARY D BURNISON

Name: Gary D. Burnison
Title: Chief Financial Officer

INVESTORS:

FRIEDMAN FLEISCHER & LOWE CAPITAL PARTNERS, L.P.

By: Friedman Fleischer & Lowe GP,
LLC, its General Partner

/s/ DAVID L. LOWE

David L. Lowe
Senior Managing Member

FFL EXECUTIVE PARTNERS, L.P.

By: Friedman Fleischer & Lowe GP,
LLC, its General Partner

/s/ DAVID L. LOWE

David L. Lowe
Senior Managing Member

AMENDMENT NO. 4 TO LOAN AGREEMENT

This Amendment No. 4 to Loan Agreement (this "Amendment"), dated as of March 29, 2002, is entered into with reference to the Loan Agreement (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") dated as of October 31, 2000 among Korn/Ferry International, a Delaware corporation ("Borrower"), each lender from time to time a party thereto (each a "Lender" and collectively, the "Lenders"), Bank of America, N.A., as Administrative Agent for itself and the other Lenders (in such capacity, the "Administrative Agent"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Loan Agreement. Section references herein relate to the Loan Agreement unless otherwise stated.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Section 6.5—Distributions. Subsection 6.5(b) is hereby amended and restated in full to read as follows:

"(b) Distributions consisting of the acquisition by Borrower of shares of its common stock from employees or dividends paid to such employees in the form of shares of common stock, provided that, (i) the aggregate amount of any such Distributions does not exceed \$1,000,000 in any Fiscal Year and (ii) in each case giving effect to the making of such Distributions, no Default or Event of Default exists or would result therefrom; and"

2. Representations and Warranties. Borrower hereby represents and warrants to the Administrative Agent and the Lenders that:

(a) except (i) for representations and warranties which expressly relate to a particular date or which are no longer true and correct as a result of a change permitted by the Loan Agreement or the other Loan Documents or (ii) as disclosed by Borrower and approved in writing by the Requisite Lenders, after giving effect to this Amendment, each representation and warranty made by Borrower in Article 4 of the Loan Agreement is true and correct as of the date hereof as though such representations and warranties were made on and as of the date hereof (other than any representations and warranties which, by their terms, relate solely to a particular date, in which case the same were true and correct on that date);

(b) Without in any way limiting the foregoing, Borrower represents and warrants to the Administrative Agent and the Lenders that after giving effect to this Amendment, no Default or Event of Default has occurred and remains continuing; and

(c) Borrower has no Significant Subsidiaries which are formed under the laws of the United States of America or its political subdivisions which are not Guarantors of the obligations under the Loan Agreement.

3. Effectiveness. This Amendment shall become effective on such date as the Administrative Agent shall have received duly executed counterparts of this Amendment.

4. Exhibit B—Compliance Certificate. The Compliance Certificate attached to the Loan Agreement as Exhibit B is hereby amended and restated in full in the form of Annex I attached to this Amendment.

5. Confirmation. In all respects, the terms of the Loan Agreement and the other Loan Documents, in each case as amended hereby or by the documents referenced herein, are hereby confirmed.

[Remainder of this page intentionally left blank—Signature Pages follow]

ANNEX I
COMPLIANCE CERTIFICATE

A-1

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: BANK OF AMERICA, N.A.

Reference is made to the Loan Agreement dated as of October 31, 2000 by and among KORN/FERRY INTERNATIONAL, a Delaware corporation ("Borrower"), the Lenders referred to therein and Bank of America, N.A., as Administrative Agent (as amended, extended, renewed, supplemented or otherwise modified from time to time, the "Loan Agreement"). Terms defined in the Loan Agreement and not otherwise defined in this Certificate shall have the meanings defined for them in the Loan Agreement.

I, _____, hereby certify that I am a Senior Officer of Borrower, and that as of the last day of the Fiscal Quarter ended _____ (the "Test Date"):

I. Section 6.5(b) and (d)—Distributions.

A. During the Fiscal Year (or portion thereof) ending on the Test Date, the aggregate amount of Distributions consisting of the acquisition by Borrower of shares of its common stock from employees or dividends paid to such employees in the form of shares of common stock was \$_____.

Maximum Permitted: \$1,000,000

B. As of the Test Date, the aggregate amount of Distributions consisting of Permitted Stock Repurchases was \$_____.

Maximum Permitted: \$ 0

II. Section 6.8(d) and (g)—Indebtedness and Contingent Obligations.

A. As of the Test Date, the aggregate outstanding principal amount of Permitted Seller Indebtedness created, incurred, assumed or suffered to exist by Borrower and its Subsidiaries was \$_____.

Maximum Permitted: \$75,000,000

B. As of the Test Date, the aggregate amount of unsecured Indebtedness (including, without limitation, Subordinated Obligations) created, incurred, assumed or suffered to exist by Borrower and its Subsidiaries, other than as allowed by Section 6.8(a) through 6.8(f), inclusive, was \$_____.

Maximum Permitted: \$10,000,000

C. As of the Test Date, the aggregate amount of Indebtedness permitted by Section 6.8(d) and 6.8(g) which was incurred by Subsidiaries of Borrower was \$_____.

Maximum Permitted: \$45,000,000

III. Section 6.9(d)—Liens; Negative Pledges; Sales and Leasebacks.

As of the Test Date, the amount of purchase money Liens securing Indebtedness permitted under Section 6.8(g) created, incurred, assumed or suffered to exist by Borrower and its Subsidiaries was \$_____.

Maximum Permitted: \$5,000,000

IV. Section 6.10(b)—Transactions with Affiliates.

As of the Test Date and following the Closing Date the aggregate value of transactions between Borrower or its Subsidiaries and any officer or Affiliate of Borrower was \$_____.

Maximum Permitted: \$1,000,000

V. Section 6.12—Fixed Charge Coverage Ratio.

As of the Test Date, the Fixed Charge Coverage Ratio (as calculated below) was _____:1.00.

The Minimum Permitted Fixed Charge Coverage Ratio is as follows:

<u>Fiscal Quarters Ending</u>	<u>Minimum Ratio</u>
January 31, 2002	0.25:1.00
April 30, 2002	[0.20:1.00]*
July 31, 2002	0.20:1.00

* It being understood that the bracketed ratio set forth opposite the date April 30, 2002 contains the negative number -0.20 in the numerator of the ratio.

Fixed Charge Coverage Ratio—Component Calculations.

As of the Test Date, the ratio of:

(a) the <u>sum of</u> (i) EBITDA for the four Fiscal Quarter period ending on the Test Date (as calculated below)	\$ _____
<u>plus</u> (ii) fees due in such period pursuant to the letter agreement referred to in Section 18 of Amendment No. 3 to the Loan Agreement	\$ _____
<u>plus</u> (iii) Restructuring Charges to the extent incurred in such period	\$ _____
<u>minus</u> (iv) Capital Expenditures paid in cash during such period but excluding amounts	\$ _____

financed by Capital Leases and purchase money financing provided, that for each Fiscal Quarter in the Fiscal Year ending April 30, 2001, this amount shall be fixed at \$5,000,000 irrespective of actual Capital Expenditures, Capital Leases and purchase money financing)

\$ _____

minus (v) income taxes payable for that period

\$ _____

equals (a) [(i)+(ii)+(iii)-(iv)-(v)]

\$ _____

to:

(b) the sum of

(i) Interest Expense (including, without limitation, Amendment Fees) paid in cash during such fiscal period

\$ _____

plus (ii) the Amortization Adjustment for such fiscal period

\$ _____

plus (iii) all principal payments (including, without limitation, all scheduled payments and any prepayments) on all Indebtedness of Borrower and its Subsidiaries during such fiscal period

\$ _____

plus (iv) commencing with the Fiscal Quarter ending July 31, 2001, the aggregate principal amount paid during such fiscal period with respect to Permitted Stock Repurchases (it being understood that no "Permitted Stock Repurchases" shall be permitted following December 31, 2001)

\$ _____

equals (b) [(i)+(ii)+(iii)+(iv)]

\$ _____

equals Fixed Charge Coverage Ratio [(a)÷(b)]

_____:1.00

VI. Section 6.13—Leverage Ratio: The Leverage Ratio (as calculated below) was _____:1.00.

The Maximum Permitted Leverage Ratio is as follows:

Fiscal Quarters Ending

Maximum Ratio

January 31, 2002	3.10:1.00
April 30, 2002	10.15:1.00
July 31, 2002	4.25:1.00

Leverage Ratio — Component Calculations.

(a) Total Funded Debt of Borrower and its Subsidiaries as of the Test Date (as calculated below)	\$	_____
<u>divided by</u> (b) the <u>sum of</u> (i) EBITDA of Borrower and its Subsidiaries for the fiscal period consisting of the Test Fiscal Quarter and the three immediately preceding Fiscal Quarters (the "Test Period") (as calculated below)	\$	_____
plus (ii) Restructuring Charges for such period	\$	_____
<u>equals</u> (b) [(i)+(ii)]	\$	_____
<u>equals</u> Leverage Ratio [(a)÷(b)]		_____:1.00

Total Funded Debt of Borrower and its Subsidiaries — Component Calculations.

In the above computation, Total Funded Debt of Borrower and its Subsidiaries as of the Test Date is (without duplication) the sum of the following, determined on a consolidated basis for Borrower and its Subsidiaries:

(a) all outstanding principal Indebtedness of Borrower and its Subsidiaries for borrowed money <u>(including</u> debt securities issued by Borrower or any of its Subsidiaries) on the Test Date	\$	_____
<u>plus</u> (b) the aggregate amount of all Capital Lease Obligations of Borrower and its Subsidiaries on the Test Date	\$	_____
<u>plus</u> (c) all obligations in respect of letters of credit or other similar instruments for which Borrower or any of its Subsidiaries are account parties or are otherwise obligated	\$	_____
<u>plus</u> (d) the aggregate amount of all Contingent Obligations and other similar contingent obligations of Borrower and its Subsidiaries with respect to any of the foregoing	\$	_____
<u>plus</u> (e) any obligations of Borrower or any of its Subsidiaries to the extent that the same are secured by a Lien on any of the assets of Borrower or its Subsidiaries, other than Permitted Encumbrances	\$	_____
<u>equals</u> Total Funded Debt [(a)+(b)+(c)+(d)+(e)]	\$	_____

EBITDA—Component Calculations.

EBITDA for the Test Period was calculated as follows, in each case as determined on a consolidated basis for Borrower and its Subsidiaries, in accordance with Generally Accepted Accounting Principles:

(a) Net Income (or net loss) for the Test Period		\$	_____
<u>plus</u> (b) without duplication and to the extent deducted from revenues in determining Net Income (or net loss), the <u>sum</u> of:			
(i) the aggregate amount of Interest Expense for the Test Period	\$	_____	
<u>plus</u> (ii) the aggregate amount of income tax expense for the Test Period	\$	_____	
<u>plus</u> (iii) all amounts attributable to amortization and depreciation for the Test Period	\$	_____	
<u>plus</u> (iv) non-cash charges during such period which do not reflect cash expenditures and which are not expected to result in cash expenditures during the term of the Loan Agreement	\$	_____	
<u>equals</u> (b) [(i)+(ii)+(iii)+(iv)]		\$	_____
<u>minus</u> (c) the <u>sum</u> without duplication and to the extent added to revenues in determining Net Income for such period:			
(i) non-cash gains during the Test Period	\$	_____	
<u>plus</u> (ii) gains (or <u>minus</u> losses) on sales of fixed assets during the Test Period	\$	_____	
<u>equals</u> (c) [(i)+(ii)]		\$	_____
<u>equals</u> EBITDA [(a)+(b)-(c)]		\$	_____

VII. Section 6.14—Minimum Quick Ratio: As of the Test Date, the Quick Ratio (as calculated below) was _____ : 1.00

The Minimum Permitted Quick Ratio is as follows:

Fiscal Quarters Ending	Minimum Ratio
January 31, 2002	0.72:1.00
April 30, 2002	0.78:1.00
July 31, 2002	0.74:1.00

Quick Ratio Component Calculations.

As of the Test Date, the ratio of:

(a) <u>the sum</u> of (i) Borrower's and its Subsidiaries' current Cash and Cash Equivalents	\$ _____	
plus (ii) marketable securities plus trade accounts receivable	\$ _____	
equals (a) [(i) +(ii)]		\$ _____
to (b) <u>the sum</u> of (i) the current liabilities of Borrower and its Subsidiaries	\$ _____	
plus (ii) to the extent not included in current liabilities, the aggregate outstanding principal amount of the outstanding loans under the Loan Agreement plus the aggregate effective face amount of all outstanding letters of credit (whether outstanding under the Loan Agreement or otherwise), in each case, as determined in accordance with Generally Accepted Accounting Principles, consistently applied	\$ _____	
equals (b) [(i) + (ii)]		\$ _____
<u>equals [(a)÷(b)]</u>		_____:1.00

VIII. Section 6.15—Foreign Subsidiaries. (Apply only so long as the conditions set forth in Section 8.3 of the Loan Agreement have not been satisfied)

As of the Test Date, the aggregate amount of Cash, Cash Equivalents and marketable securities held by the Foreign Subsidiaries was \$_____.

The Maximum Permitted holdings are as follows:

<u>Time Period</u>	<u>Maximum Permitted</u>
Closing Date through and including August 1, 2001	\$80,000,000
August 2, 2001 and thereafter	\$45,000,000

IX. I further certify that the calculations made and the information contained or incorporated herein are derived from the books and records of Borrower and its Subsidiaries, as applicable, and that each and every matter contained or incorporated herein correctly reflects those books and records.

IN WITNESS WHEREOF, I have signed this Certificate on this _____ day of _____, 200_.

KORN/FERRY INTERNATIONAL,
a Delaware corporation

By: _____

Name:
Title:

AMENDMENT NO. 5 TO LOAN AGREEMENT

This Amendment No. 5 to Loan Agreement (this "Amendment"), dated as of June 13, 2002, is entered into with reference to the Loan Agreement (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") dated as of October 31, 2000 among Korn/Ferry International, a Delaware corporation ("Borrower"), each lender from time to time a party thereto (each a "Lender" and collectively, the "Lenders"), Bank of America, N.A., as Administrative Agent for itself and the other Lenders (in such capacity, the "Administrative Agent"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Loan Agreement. Section references herein relate to the Loan Agreement unless otherwise stated.

The parties hereto hereby agree with reference to the following facts:

A. The parties hereto have previously modified the terms of the Loan Agreement only by an Amendment No. 1 to Loan Agreement dated as of January 30, 2001, an Amendment No. 2 to Loan Agreement dated as of April 29, 2001, an Amendment No. 3 to Loan Agreement dated as of March 7, 2002 and an Amendment No. 4 to Loan Agreement dated as of March 29, 2002.

B. The parties desire to provide for the issuance by the Borrower of shares of its Convertible Series A Preferred Stock, par value \$0.01 per share (the "Convertible Series A Preferred Stock") having an aggregate value of \$10,000,000 and its Convertible Subordinated Notes in an aggregate principal amount of up to \$40,000,000 (the "Convertible Subordinated Notes"), and the future issuance of additional securities of the same nature as payment in kind of dividends and interest in respect thereto.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Section 1.1—Defined Terms. The following defined terms are hereby added to the Loan Agreement as follows:

"Convertible Series A Preferred Stock" means, collectively, (a) 10,000 shares of the Borrower's Convertible Series A Preferred Stock, (b) the Certificate of Designation pursuant to which such shares are issued, and (c) any shares of additional securities of the same nature issued as payment in kind of dividends in respect thereto.

"Convertible Subordinated Notes" means the Borrower's Convertible Subordinated Notes, dated June 13, 2002 in an aggregate principal amount of \$40,000,000 and any additional notes of the same nature issued as payment in kind of interest in respect thereto.

2. Section 1.1—Definition of Change in Control. The definition of "Change in Control" contained in Section 1.1 is hereby amended to add the following language to the end thereof:

“A ‘Change in Control’ shall also include a ‘Change of Control Event’ as defined in either the Convertible Subordinated Notes and the Convertible Series A Preferred Stock.”

3. Section 6.5—Distributions. Section 6.5(c) is hereby amended to delete the “and” at the end thereof. Section 6.5(d) is hereby amended to add the word “and” at the end thereof. A new Section 6.5(e) is hereby added to the Loan Agreement to read as follows:

“(e) Distributions made in pursuant to the term of the Convertible Series A Preferred Stock or the Convertible Subordinated Notes; provided, however that no such Distribution shall be made prior to the date upon which the same is due and payable (whether the same becomes due and payable by reason of its scheduled date, mandatory redemption, acceleration or otherwise, except but not by reason of any optional redemption by the Company).”

4. Section 6.8—Indebtedness. Section 6.8 is hereby amended to add a new Section 6.8(h) as follows: “(h) Indebtedness pursuant to the Convertible Subordinated Notes and the Convertible Series A Preferred Stock.”

5. Sections 6.12, 6.13, 6.14—Financial Covenants. Each of the parties hereto hereby agrees that for purposes of calculating the financial covenants set forth in Sections 6.12, 6.13 and Section 6.14, (a) “Indebtedness” shall not include any indebtedness evidenced by, or due and payable in accordance with the terms of, the Convertible Series A Preferred Stock or the Convertible Subordinated Notes, and (b) “Interest Expense” shall not include any interest or other amounts due and payable in accordance with the terms of, the Convertible Series A Preferred Stock or the Convertible Subordinated Notes. The parties also agree that the Borrower shall continue to use the consolidation method of accounting rather than the equity method, in accounting for its foreign subsidiaries.

6. Subordinated Obligations. Each of the parties hereto hereby agrees that each of the Convertible Series A Preferred Stock and the Convertible Subordinated Notes shall constitute Subordinated Obligations under the Loan Agreement and the other Loan Documents.

7. No Amendments to Documents. Borrower hereby covenants and agrees that, absent the prior written consent of the Requisite Lenders, it shall not amend, supplement or otherwise modify the terms of the Convertible Series A Preferred Stock or the Convertible Subordinated Notes.

8. Representations and Warranties. Borrower hereby represents and warrants to the Administrative Agent and the Lenders that:

(a) except (i) for representations and warranties which expressly relate to a particular date or which are no longer true and correct as a result of a change permitted by the Loan Agreement or the other Loan Documents or (ii) as disclosed by Borrower and approved in writing by the Requisite Lenders, after giving effect to this Amendment, each representation and warranty made by Borrower in Article 4 of the Loan Agreement is true and correct as of the date hereof as though such representations and warranties were made on and as of the date hereof (other than any representations and warranties which, by their terms, relate solely to a particular date, in which case the same were true and correct on that date); and

(b) without in any way limiting the foregoing, Borrower represents and warrants to the Administrative Agent and the Lenders that, except as set forth in clause (a) of this Section, after giving effect to this Amendment, no Default or Event of Default has occurred and remains continuing.

9. Release. As a material inducement to Bank of America to enter into this Amendment, the Borrower (and by executing its consent hereto, Korn/Ferry International Futurestep, Inc.), each hereby fully release and discharge forever Bank of America, N.A., its subsidiaries and affiliated companies, and their respective agents, employees, officers, directors, representatives, attorneys, successors and assigns (hereafter referred to collectively as the "Released Parties"), and each and all of them, from any and all liabilities, claims, actions, causes of action, charges, complaints, obligations, costs, losses, damages, injuries, attorneys' fees, and other legal responsibilities, of any form whatsoever, whether known or unknown, unforeseen, unanticipated, unsuspected or latent, which either of them may have or hold, or have at any time heretofore have or held, arising out of or relating to the Loan Agreement, the Loan Documents, the transactions contemplated thereby or the relationship of the parties hereto arising out of the Loan Agreement or the Loan Documents prior to the effective date of this Amendment. The Borrower (and by executing its consent hereto, Korn/Ferry International Futurestep, Inc.), hereby each expressly waive all rights under Section 1542 of the California Civil Code, which reads as follows:

"Section 1542. [Certain claims not affected by general release.] A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor."

Borrower (and by executing its consent hereto, Korn/Ferry International Future Step, Inc.) each hereby agree to indemnify and hold harmless each of the Released Parties for and against any and all costs, losses or liability, whatsoever, including reasonable attorneys' fees arising out of the prosecution by Borrower or Korn/Ferry International Future Step, Inc., or its successors or assigns, of any action, claim or cause of actions released pursuant to this Section.

10. Conditions. This Amendment shall become effective on such date as the Administrative Agent shall have received (a) duly executed counterparts of (i) this Amendment and (ii) Korn/Ferry International Futurestep, Inc. shall have countersigned this Amendment, and (b) a Subordination Agreement in the form of the draft heretofore circulated to the parties executed by all parties thereto and attaching true, correct, complete and duly executed copies of (i) the Certificate of Designation executed in connection with the issuance of the Convertible Series A Preferred Stock, (ii) the Convertible Subordinated Notes and (iii) any other agreement, documents, certificate or other instrument executed in connection therewith, each of which shall be in full force and effect.

11. Confirmation. In all respects, the terms of the Loan Agreement and the other Loan Documents, in each case as amended hereby or by the documents referenced herein, are hereby confirmed.

[Remainder of this page intentionally left blank—Signature Pages follow]

