

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

FORM 10-K

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

For the fiscal year ended April 30, 1999

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

Commission File Number 001-14505

KORN/FERRY INTERNATIONAL
(Exact Name of Registrant as Specified in its Charter)

<TABLE>		
<S>	California	<C>
	(State or Other Jurisdiction	95-2623879
	of Incorporation or Organization)	(I.R.S. Employer
</TABLE>		Identification Number)

1800 Century Park East, Suite 900, Los Angeles, California 90067
(Address of principal executive offices) (Zip code)

(310) 843-4100
(Registrant's telephone number, including area code)

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

<TABLE>		
<CAPTION>		
	Title of each class	Name of each exchange on which
	-----	registered
<S>	Common Stock, no par value	<C>
</TABLE>		New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

The number of shares outstanding of the Company's Common Stock as of July 23, 1999 was 35,632,610 shares. The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant on July 23, 1999 (assuming that the Registrant's only affiliates are its officers, directors and 10% or greater stockholders) was approximately \$454,767,381, based upon the closing market price of \$14.13 on that date of a share of Common Stock as reported on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders scheduled to be held on September 22, 1999 are incorporated by reference into Part III of this Form 10-K.

KORN/FERRY INTERNATIONAL

Index to Annual Report on Form 10-K for the Fiscal Year Ended April 30, 1999

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PART I.

Item 1. Business

General

Korn/Ferry International ("KFY" or the "Company") is the world's largest executive search firm and has the broadest global presence in the executive search industry. KFY provides executive recruitment services exclusively on a retained basis and serves the global recruitment needs of its clients from middle to executive management. Co-founded by Richard M. Ferry, the Company's current Chair of the Board, the Company opened its first office in Los Angeles in 1969. Today, KFY has 425 consultants based in 71 offices across 40 countries. The Company believes that its global reputation, strong client relationships, executive recruitment expertise, innovation and technological focus provide the Company with distinct competitive advantages. Since fiscal 1994, the Company has generated revenues at a compound annual growth rate of 21%. In fiscal 1999, the Company had total revenues of \$373.1 million and performed over 6,770 assignments for 4,151 clients, including approximately 43% of the Fortune 500. KFY's clients are many of the world's largest and most prestigious public and private companies, middle-market and emerging growth companies as well as governmental and not-for-profit organizations. Almost half of the searches performed by the Company in fiscal 1999 were for board level, chief executive and other senior executive positions. The Company has established strong client loyalty; more than 90% of the search assignments the Company performed in fiscal 1999 were on behalf of clients for which it had conducted multiple assignments over the last three fiscal years. In fiscal 1999, the Company reported a net operating loss of \$50.4 million including: a non-recurring compensation and benefits expense upon completion of the Company's initial public offering of \$79.3 million; costs, primarily severance and benefits expense, incurred to achieve operating efficiencies of \$7.3 million; and compensation and benefits expense of \$2.6 million related to the resignation of the former President and Chief Executive Officer.

The Company believes it is an innovator in the executive search industry and forward-thinking in addressing the fundamental transformation of the marketplace caused by the combined impact of advanced technology and the Internet. In anticipation of these changing industry dynamics, and in response to clients' demand for middle-management recruitment services, the Company introduced Futurestep, its Internet-based search service, in May 1998. Futurestep combines the Company's search expertise with exclusive candidate assessment tools and the reach of the Internet to accelerate recruitment of candidates for middle-management positions. In fiscal 1999, Futurestep generated revenues of \$4.4 million and operating losses of \$12.6 million, primarily related to compensation and benefits expense, start-up costs and continued advertising expense to promote and expand Futurestep's national and global business roll-out. The Company believes Futurestep will generate operating losses through at least the end of fiscal 2000. In March 1999, the Company completed its roll-out of Futurestep in the United States with the addition of the Midwest and Southwest regions to Futurestep's East and West Coast operations. Futurestep launched its international roll-out in the United Kingdom and Canada in May and June 1999, respectively, and plans to expand in other selected foreign markets through fiscal 2000. Through June 1999, more than 326,000 candidates worldwide have completed a detailed on-line profile with Futurestep.

Executive Search Industry

The executive search industry is separated into two distinct markets: retained search firms and contingency search firms.

Retained search firms, like KFY, generally concentrate on searches for positions with annual compensation of \$150,000 or more for large public and private corporations, government agencies, educational organizations and high growth start-up companies. Retained search firms also have the capability to provide their clients with local and international knowledge of the managerial market within their client's industry, as well as a sophisticated network of relevant industry contacts. Retained search firms typically charge a fee for their services equal to approximately one-third of the annual cash compensation for the position being filled and bill for their services in three installments irrespective of whether a position has been filled.

Contingency search firms generally concentrate on searches for positions with annual compensation of \$150,000 or less. These firms are most commonly hired to fill middle and lower management positions of small to medium-

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sized companies. Unlike retained search firms, contingency search firms are compensated only when a position is filled. Accordingly, revenues generated by a contingency search firm typically are more volatile than revenues generated by a retained search firm. For this reason, contingency search firms often cannot invest as many resources as retained search firms in a search assignment. Contingency search firms typically charge a fee for their services equal to approximately one-third of the annual cash compensation for the position being filled.

Industry Trends

According to Kennedy Information, worldwide executive search industry revenues are expected to grow from approximately \$3.5 billion in 1993 to \$10.0 billion in 2000, a 16% compound annual growth rate. The Company's management believes that a number of favorable trends will contribute to the growth of the executive search industry, including: (i) the globalization of business; (ii) the demand for managers with broader skills; (iii) the increasing outsourcing of recruitment functions; and (iv) the use of advanced technology to accelerate the identification and assessment of candidates.

Globalization of Business--As the world markets continue to integrate into one global economy, more companies are required to supplement internal talent with experienced senior executives who can operate effectively in a global economy. The rapidly changing and competitive environment increasingly challenges multinational and local companies to identify qualified executives with the right combination of skills, experience and cultural compatibility. This globalization of business, including the expansion in new markets, has led companies to look beyond their particular region for management talent and to identify local executives in the regions where they are doing business.

Demand for Managers with Broader Qualifications--The Company's recent global study, *Developing Leadership for the 21st Century*, indicates that companies are seeking broader qualifications for executive positions. In many instances, these candidates cannot be found within a client's organization despite training, rotation programs and succession planning. Thus, the Company expects that the executive search business will continue to grow as companies increasingly turn to executive search firms to identify qualified executives.

Increasing Outsourcing of Recruitment Functions--Recent economic factors are requiring companies to focus on core competencies and to outsource

recruitment functions to providers, such as KFY, who can efficiently provide high quality recruitment services. Moreover, the trend towards globalization and the current shortage of qualified management-level candidates have made identifying and recruiting exceptional candidates more difficult. Companies are increasingly relying on experienced global executive search firms to address their management recruitment needs. By hiring executive search firms, companies can expect to: (i) access a diverse and highly qualified field of candidates on an as-needed basis; (ii) reduce the costs required to maintain and train a recruiting department in a rapidly changing industry; (iii) benefit from the most updated information on the industry and specific geographic markets; (iv) access leading search technology and software; and (v) maintain management focus on strategic business issues.

Use of Advanced Technology--Technology is having an increasing impact on the search industry. Global systems and the ability to create comprehensive worldwide databases are fundamentally changing the search process and moving the emphasis of the search business from candidate identification to candidate assessment and placement. In addition, the Internet is creating efficient ways to identify and recruit from the broad middle-management market, with Internet technology expected to have applicability to executive recruitment in the near future. At the same time, new barriers to entry into the executive search industry are being created as these investments in information technology become critical to serve clients' needs globally.

Growth Strategy

KFY's objective is to expand its leadership position as a preferred global executive search firm by offering a broad range of solutions to address its clients' management recruitment needs. The principal elements of the Company's strategy include: (i) leverage leadership in executive recruitment; (ii) expand into the middle-management market; (iii) pursue strategic acquisitions; (iv) reinforce technological leadership; and (v) add new complementary services.

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Leverage Leadership in Executive Recruitment

The Company's leadership in executive recruitment enables it to grow its business by increasing the number of search assignments it handles for existing clients. The Company's management also believes that there are significant opportunities to develop new clients by aggressively marketing its proven global search expertise. The Company has adopted a structured approach to expand and build relationships with new and existing clients. Through its ten specialty practice groups and broad global presence, the Company maintains an in-depth understanding of the market conditions and strategic and management issues facing clients. Annually, the Company's regions, offices, individual consultants and specialty practice groups identify existing and prospective clients with substantial needs for executive search services. The Company assembles teams of search consultants based on geographic, industry and functional expertise to focus on these clients.

The Company has opened 12 offices in the last three fiscal years: Austin, Copenhagen, Helsinki, Istanbul, New Delhi, Rio de Janeiro, Seoul, Shanghai, Sherman Oaks, Stamford, Tysons Corner and Wellington. By leveraging its knowledge of the growing pool of local talent in each of the regions in which it operates, the Company is able to identify and place qualified candidates capable of effectively adapting to the local culture and successfully furthering the client's objectives. In addition, with the geographic expansion of advertised recruitment and Futurestep, the Company is leveraging its global network and search capabilities to meet the management recruitment needs of existing and potential clients.

Expand into the Middle-Management Market

In response to the growing client demand for middle-management recruitment, the Company is expanding its services to address this market. With its strong executive client relationships, advertised recruitment services and Futurestep, KFY is well positioned to meet its clients' middle-management recruitment needs effectively and efficiently. The Company maintains one of the largest, most diverse and technologically innovative global databases of highly qualified candidates across all levels of management and provides geographic, industry and functional expertise. By moving aggressively into this segment of the market, the Company's management believes it can strengthen its relationships with its existing clients, develop new clients and gain a competitive advantage in marketing complementary services.

Pursue Strategic Acquisitions

The Company will continue to make selected acquisitions that support its growth strategy, enhance its presence in key markets or otherwise complement its competitive strengths. As the largest global executive search firm, the Company believes it has the resources to be a leader in consolidation within the highly fragmented search industry. The Company frequently evaluates

opportunities to expand its business through acquisitions and, from time to time, the Company engages in discussions with potential targets. In fiscal 1999, the Company completed acquisitions in France and Switzerland. In June 1999, the Company completed the acquisition of the Australian business of Amrop International Australasia. The Company views strategic acquisitions as a key component of its long term growth strategy and intends to pursue future acquisition opportunities.

Reinforce Technological Focus

The Company has invested in executive recruitment alone more than \$39 million over the past three fiscal years to develop a state-of-the-art technology infrastructure, including a worldwide network and its proprietary software, Searcher, to increase the speed and quality of its service to its clients around the world. The Company's worldwide databases contain the profiles of over 1,000,000 executives and over 300,000 companies, allowing consultants to access a wide range of potential candidates globally. The Company's systems represent a strong competitive advantage, allowing its consultants to access information and communicate effectively with each other. As the executive search industry continues to grow and as more clients seek the assistance of search firms to fill middle-management positions, an advanced technology infrastructure has become a critical element of the search business.

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Add New Complementary Services

The Company seeks to add new complementary services in response to specific client needs. For example, the Company developed Futurestep and has expanded its recruitment services to address its clients' growing demand for effective middle-management recruitment. Through Futurestep, the Company seeks to pre-build and update a large candidate inventory and thereby reduce the time required to perform a search. In addition, Futurestep's assessment tools can quickly and accurately evaluate a candidate's credentials and likelihood of integrating into a client's culture. The Company believes that many of Futurestep's assessment tools and Internet applications will have applicability to its executive recruitment services. In addition, the Company is exploring complementary business opportunities, which could include recruitment outsourcing and human resources consulting. As attractive business opportunities are identified, the Company may capitalize on these opportunities through internal development, joint ventures or selected acquisitions.

Services

The Company addresses the global recruitment needs of its clients at all levels of management. The Company offers the following three primary services exclusively on a retained basis: (i) executive recruitment; (ii) advertised recruitment; and (iii) Internet-based recruitment.

Executive Recruitment

The Company's executive recruitment services are typically used to fill executive-level positions, such as boards of directors, chief executive officers, chief financial officers and other senior executive officers. Once the Company is retained by a client to conduct an executive search, the Company assembles a team comprised of consultants with geographic, industry and functional expertise. KFY's search consultants serve as management advisors and work closely with the client in identifying, assessing and placing a qualified candidate. In fiscal 1999, the Company performed over 6,000 executive recruitment assignments.

The Company uses a search methodology that has been developed through many years of experience in conducting executive recruitment. The Company emphasizes a close working relationship with the client and a comprehensive understanding of the client's business issues, strategy and culture, as well as an in-depth knowledge of the skills necessary to succeed within a client's organization. Initially, the search team consults with the client to better understand its history, culture, structure, expectations, challenges, future directions and operations. In these meetings, the team identifies the specific needs of the client and develops a profile of an ideal candidate for the position. Early in the process, the team also works with the client to develop the general parameters of a compensation package that will attract high quality candidates.

Once the position is defined, the research team identifies, through the use of the Company's proprietary databases and a number of key technology-based information sources, companies that are in related industries facing similar challenges and issues and that possess operating characteristics similar to those of the client. In addition, the team consults with its established network of sources to help identify individuals with the right backgrounds and personal abilities. These sources are a critical element in assessing the marketplace. The original list of candidates is carefully screened through

phone interviews, video conferences or in-person meetings. The client is then presented with up to five qualified candidates to interview. The Company, sometimes with the assistance of an independent third party, conducts reference checks throughout the process.

Usually, the finalists for the position meet with the client for a second and possibly a third round of discussions. At this point, the compensation package for each will have been discussed in detail so that there is confidence that offers will be accepted. Generally, the search consultants will participate in the negotiations until a final offer is made and accepted. Throughout the process, ongoing communication with the client is critical to keep client management apprised of progress.

Every search that the Company performs is backed by a one-year guarantee. If the executive who has been recruited does not perform satisfactorily and ceases to be employed by the client within one year, the Company will repeat the search for no additional fee.

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Advertised Recruitment Search Services

The Company's advertised recruitment search service uses print advertising in targeted publications to attract the most qualified candidates for management positions at all levels. Advertised recruitment search is appropriate when clients seek numerous qualified candidates from a broad universe of industries. The Company introduced its advertised recruitment search service in 1991, and currently offers it in 16 offices in Europe, Asia/Pacific and Latin America. In fiscal 1999, advertised recruitment was used for approximately 600 search assignments.

At the beginning of each advertised recruitment search engagement, teams comprised of consultants with specialized expertise in the appropriate industry and function gather information on the client's business, culture and the open position. The team creates the advertising campaign and advises the client on the most appropriate media for the campaign. Once the advertisement is finalized and published, the team reviews and screens all resumes received by the client and interviews qualified candidates. Based on these interviews and feedback from both the client and the candidates, the team produces a short list of top candidates for the client and prepares and assembles detailed profiles and evaluation reports on each candidate. Consultants will advise and consult with clients throughout the negotiation process and provide input on competitive salary packages. Finally, the consultants will conduct final reference checks and follow up with both the client and the candidate to ensure a smooth transition of the hired candidate into the client's organization.

Internet-Based Search Services

Futurestep, a subsidiary of the Company, combines the Company's extensive executive recruitment expertise with exclusive candidate assessment tools and the reach of the Internet to recruit candidates for middle-management positions. Futurestep is fundamentally different from other Internet-based job placement services, which do not employ Futurestep's sophisticated filtering process or permit search professionals to interact with candidates and clients.

Futurestep recognizes that loss in productivity as a result of middle-management vacancies is significant. By pre-building an inventory of qualified candidates prior to receiving a client assignment and by keeping that inventory current, Futurestep can quickly generate a select list of candidates, which should significantly reduce search cycle time. Futurestep's goal is to produce three candidates and one quality hire for the client within thirty days.

To register with Futurestep, candidates complete an on-line assessment profile that details their work history, management experience, preferred career path and management style. The assessment tools, which Futurestep has licensed on an exclusive basis, have been validated by a cross-section of senior managers over ten years and give reliable feedback on decision-making style, communication style, cultural preferences and career and personal motivation. Futurestep clients complete a similar profile to determine company culture and the type of manager who will succeed in the open position. The Company believes that cultural compatibility is critical to the successful placement of a candidate and that these proprietary tools may have applicability to other areas of executive search. To encourage candidates to register with Futurestep, Futurestep provides career management feedback on a candidate's salary potential, leadership skills, the industries and functions for which the candidate is most qualified and the most compatible corporate culture.

When Futurestep receives a search assignment from a client, a preliminary list of candidates is selected from the Futurestep database and the most qualified are called by a Futurestep search consultant for further evaluation. The consultant schedules a 45-minute to one-hour video interview with selected

candidates. The consultant then identifies the top candidates and provides the client with excerpts of the video-taped interviews and other background information for comparison. The Futurestep consultant typically organizes the client/candidate interviews, and advises and consults throughout the negotiation process to structure the final offer package and position responsibilities.

Confidentiality for both candidates and clients is paramount. When candidates register with Futurestep, they do not know who the Futurestep clients are or which positions are available. Companies do not have access to candidate information until a candidate gives explicit permission to release the information to the client when contacted by a Futurestep consultant.

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In June 1998, the Company and Futurestep entered into a three-year contract for an exclusive alliance with The Wall Street Journal, which provides the Company with reduced advertising rates, requires the purchase by Futurestep of a minimum amount of print and on-line advertising and permits the use of The Wall Street Journal name in connection with promotion of the Futurestep service. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview." The contract with The Wall Street Journal has an initial term through June 2001 with options for renewal and is the first of its kind in the executive search industry. The Wall Street Journal is obligated under the contract to use reasonable commercial efforts to offer each employer which advertises positions in The Wall Street Journal the option of retaining Futurestep for services ranging from resume evaluation to complete management of the employer's recruitment process for the advertised positions. In addition, The Wall Street Journal must provide a direct link to Futurestep's website from The Wall Street Journal's careers website. The contract permits Futurestep to provide candidates registered with Futurestep access to career-management advice through direct links from Futurestep's website to The Wall Street Journal's website and obligates Futurestep to pay to The Wall Street Journal a minimal placement fee for each employer and candidate referred to Futurestep by The Wall Street Journal. The Company, Futurestep and The Wall Street Journal have agreed not to promote competing services during the term of the contract.

Organization

Geographic Regions

The Company has 71 offices across 40 countries, organized into the following regions: North America, Europe, Asia/Pacific and Latin America. The Company's offices are staffed with consultants who possess an understanding of the local market, culture and management resources along with knowledge of the global issues facing clients.

The following table provides information relating to each region for fiscal 1999:

<TABLE>
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Region:	Fiscal 1999 Revenues (in millions)	Operating Profit(Loss) (1) (in millions)	Number of Offices as of April 30, 1999	Average Number of Consultants
<S>	<C>	<C>	<C>	<C>
North America.....	\$200.2	(\$66.7)	21	206
Europe.....	106.6	4.9	27	120
Asia/Pacific.....	35.1	2.5	14	48
Latin America.....	31.2	8.9	9	32

</TABLE>

(1) Includes non-recurring charges of \$83.8 million, \$4.5 million and \$0.9 million in North America, Europe and Asia/Pacific, respectively. The North America region also include Futurestep losses of \$12.6 million.

See "Notes to the Consolidated Financial Statements--Footnote 11" for geographic region results for the past three fiscal years.

North America, including Futurestep--The Company opened its first office in Los Angeles in 1969, and currently has 21 offices throughout the U.S. and Canada. The North America region has grown from \$75.8 million in revenues in fiscal 1994 to \$200.2 million in fiscal 1999. The Company has been ranked first in worldwide revenues among Hunt-Scanlon's top executive search firms based in North America since the statistics were first published in 1990. In fiscal 1999, the Company handled over 2,600 assignments in this region, with an average number of 206 consultants.

Europe--The Company opened its first European office in London in 1972 and currently has 27 offices throughout 21 countries in the region. The region has grown from \$37.9 million in revenues in fiscal 1994 to \$106.6 million in fiscal 1999. The Company handled over 2,400 assignments in fiscal 1999 in this

region, with an average number of 120 consultants. In fiscal 1999, the Company acquired businesses in France and Switzerland, enhancing KFY's market position in these countries and closed one office in Bratislava.

Asia/Pacific--The Company opened its first Asia/Pacific office in Tokyo in 1973, and has built a 14-office network throughout 10 countries in the region, including the opening in fiscal 1997 of five new offices. The region has grown from \$13.9 million in revenues in fiscal 1994 to \$35.1 million in fiscal 1999. The Company handled over

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760 assignments in fiscal 1999 in this region, with an average number of 48 consultants. The latest Economist Intelligence Unit report on Executive Search in Asia and Australia describes KFY as the leading executive search firm in the region. In June 1999, the Company completed the acquisition of the Australian business of Amrop International Australasia.

Latin America--The Company opened its first Latin American office in Brazil in 1974, expanded its practice to Mexico through its 1977 acquisition of a 49% interest in Hazzard & Associates, and currently conducts its operations in Mexico through three subsidiaries in which the Company holds a controlling minority interest. As of April 30, 1999, the Company operated a network of nine offices in seven countries covering the entire region. The region has grown from \$16.0 million in revenues in fiscal 1994 to \$31.2 million in fiscal 1999. The Company handled over 890 assignments in fiscal 1999 in this region, with an average number of 32 consultants. According to the Economist Intelligence Unit's latest report on Executive Search in the Americas, KFY dominates the executive search market in Latin America.

Industry Specialization

In 1970, the Company established specialty practices to serve specific industries and markets and has continued to expand the range of its specialty practices. The specialty practices consist of consultants throughout the regions with the knowledge and contacts many have built during successful careers in the same industries and markets. Consultants in the Company's ten specialty practice groups bring an in-depth understanding of the market conditions and strategic and management issues faced by clients within the specific industry. The Company plans to continue to expand its specialized expertise through internal development, strategic hiring in targeted growth areas and selected acquisitions.

Percentage of Fiscal 1999 Assignments by Industry Specialization

<TABLE>		<C>
<S>		
Industrial.....		20%
Consumer Goods.....		20%
Advanced Technology.....		17%
Financial Services/Investments.....		16%
Healthcare Products and Providers.....		9%
Professional Services.....		7%
Entertainment & Media Practice.....		4%
Governmental and Not-for-profit.....		4%
Energy and Utilities.....		3%

</TABLE>

Client Base

KFY's clients are many of the world's largest and most prestigious public and private companies. Almost half of the searches performed by the Company in fiscal 1999 were for board level, chief executive and other senior executive positions. In fiscal 1999, approximately 6.7% of the Company's total revenues was derived from its top ten customers.

Functional Expertise

The Company has organized centers of functional expertise, made up of consultants who have extensive backgrounds in placing executives in certain functions, such as board of directors, chief executive officers and other senior executive and financial officers. The Company's board services practice, for example, was first established in 1972 to help clients assemble an effective, knowledgeable and cohesive board of directors to meet the growing demands for accountability and more effective board performance. The shortage of experienced directors, the tightening of governance policies and the desire on the part of companies to broaden their board bases are raising the standards required to identify and recruit directors with the needed skills. The Company has established significant expertise in this area and has built a proprietary database with the names and backgrounds of all the Fortune 1000 directors, plus a significant number of middle-market and high-growth company board members, to help support

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board searches. Members of functional groups are located throughout the Company's regions and across its specialty practice groups.

Percentage of Fiscal 1999 Assignments by Functional Expertise

<TABLE>	<S>	<C>
	Board Level/CEO/CFO/Senior Executive and General Management.....	45%
	Marketing and Sales.....	23%
	Finance and Control.....	10%
	Manufacturing/Engineering/Research and Development/Technology.....	9%
	Human Resources and Administration.....	8%
	Information Systems.....	5%

</TABLE>

Competition

Korn/Ferry International is the largest executive search firm in the world. Other multinational executive search firms include Heidrick & Struggles International, Inc., Spencer Stuart & Associates, Russell Reynolds Associates and Egon Zehnder International. These firms are the Company's primary competitors, although the Company and each of these firms also competes against smaller firms that specialize in specific regional, industry or functional searches. KFY believes its brand name, global network, prestigious client list, strong specialty practices and quality of service are widely recognized worldwide.

KFY competes for executive search business in four major geographic markets: North America, Europe, Asia/Pacific and Latin America. In North America, in addition to competition from other multinational executive search firms, KFY faces competition from boutique firms focusing on executive search assignments in particular industries. In Europe, KFY competes primarily with the European affiliate of Heidrick & Struggles International, Inc. and the local offices of Egon Zehnder International, in addition to local firms specializing in their regions. In the Asia/Pacific region, most of KFY's competition is provided by five executive search firms, including Egon Zehnder International and Russell Reynolds Associates. In Latin America, KFY competes principally with Egon Zehnder International, although other executive search firms have recently expanded into the region.

As a result of new market conditions affecting the executive search industry, such as globalization and the increased use of advanced technology, the Company believes its services are less susceptible to being characterized as fungible than the services of its competitors. However, there can be no assurance that prospective clients will perceive the advantages of the Company's services and resources, and as competition increases among large executive search firms, prospective clients may increasingly view executive search services as fungible.

The executive search industry is comprised of approximately 4,000 retained and contingency search firms. According to Kennedy Information, the top ten search firms represent only 11% of the industry. To date there have been few barriers to entry in the executive search business, which explains in part the highly fragmented nature of the industry. However, the globalization of world economies, combined with the increased availability and application of sophisticated technologies and comprehensive databases, will likely raise the barriers to entry. The Company believes that the industry will experience consolidation. New competitors, such as technology-oriented companies, will be drawn to the executive search business by the growing worldwide demand for qualified management employees, the fragmentation of the industry and the ability to leverage their existing technology and databases to enter the market.

Professional Staff and Employees

As of April 30, 1999, the Company had approximately 1,565 employees, consisting of 289 vice presidents, 136 principals, 272 senior associates and associates, 212 researchers, 138 corporate professionals and 518 administrative and support staff. The Company has not been a party to a collective bargaining agreement and considers relations with its employees to be good.

Senior associates, associates and researchers support the efforts of the vice presidents and principals with candidate sourcing and identification, but do not generally lead an assignment. The Company has training and professional development programs and a high rate of internal promotions. Promotion to vice president is based on a variety of factors, including demonstrated superior execution and business development skills, the ability to identify solutions to complex issues, personal and professional ethics, a thorough understanding of the market, how to retain clients and how to develop repeat business, and the ability to help build effective teams. In addition, the Company has a program of recruiting experienced professionals into the Company.

The Company believes the high caliber, extensive experience and motivation

of its professionals are critical factors to its success. A large number of KFY's consultants have advanced graduate degrees and, on average, the Company's consultants have seven years' experience with the Company, 12 years in the search industry and 13 years in other industries. The Company further believes it has been able to attract and retain some of the most productive search consultants as a result of its reputation, history of consultant equity ownership and its performance-based compensation program.

Item 2. Properties

The Company's corporate office is located in Los Angeles, California. KFY leases all of its 71 offices located in North America, Europe, Asia/Pacific and Latin America. As of April 30, 1999, the Company leased an aggregate of approximately 381,286 square feet of office space. The leases generally are for terms of one to ten years and contain customary terms and conditions. The Company believes that its facilities are adequate for its current needs and does not anticipate any difficulty replacing such facilities or locating additional facilities to accommodate its anticipated needs.

Item 3. Legal Proceedings

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

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

No matters were submitted to a vote of security holders during the last quarter of fiscal 1999.

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Executive Officers of the Registrant

<TABLE>

<CAPTION>

Name	Age	Position
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<S>	<C>	<C>
Richard M. Ferry.....	61	Chair of the Board
Windle B. Priem.....	61	Chief Executive Officer and President
Peter L. Dunn.....	54	Vice Chair, Corporate Secretary and General Counsel
Elizabeth S.C.S. Murray.....	43	Chief Financial Officer, Treasurer and Executive Vice President
Gary C. Hourihan.....	50	Executive Vice President--Organizational Development

</TABLE>

The executive officers of the Company serve at the discretion of its Board of Directors. There is no family relationship between any executive officer or director. The following information sets forth the business experience for at least the past five years for each of the executive officers of the Company as of July 23, 1999.

Richard M. Ferry is a founder of the Company, has been Chair of the Board since 1991 and is a member of the Office of the Chief Executive. Mr. Ferry served as Chief Executive Officer of the Company from May 1991 to April 1997.

Windle B. Priem has been Chief Executive Officer and President since December 1998 and is a member of the Office of the Chief Executive. He has been a Director of the Company since 1993. From July 1998 to December 1998, he was a Vice Chair and the Chief Operating Officer of the Company. From 1996 to 1998 he was the President of the North America region. Mr. Priem joined the Company in 1976.

Peter L. Dunn has been a Vice Chair since 1997 and is a member of the Office of the Chief Executive. He has been a Director of the Company since 1992 and serves as the Company's General Counsel and Corporate Secretary. Mr. Dunn joined the Company in 1980.

Elizabeth S.C.S. Murray has been the Executive Vice President, Chief Financial Officer, Treasurer since July 1998 and is a member of the Office of the Chief Executive. In January 1998, she joined the Company as Vice President and Chief Financial Officer and Treasurer. Prior to that, Ms. Murray served as Executive Vice President and Chief Financial Officer of Tycom Inc. from June 1997 to December 1997, and from 1994 to June 1997 she was the Chief Financial Officer and Vice President of Hughes Communications, Inc., a subsidiary of Hughes Electronics Corporation.

Gary C. Hourihan was appointed Executive Vice President--Organizational Development in January 1999 and is responsible for all human resource functions and assisting with mergers and acquisitions, among other functions. Prior to joining the Company, he was the co-founder, Chairman, and Chief

Executive Officer of SCA Consulting, L.L.C., one of the leading executive compensation consulting firms in the U.S., where he was employed from November 1984 until joining the Company.

PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is listed on the New York Stock Exchange under the symbol "KFY." The following table sets forth, the high and low sales price per share of the Common Stock for the periods indicated, as reported on the New York Stock Exchange since trading began on February 11, 1999:

<TABLE>
<CAPTION>

Fiscal Year Ended April 30, 1999	High	Low
-----	-----	-----
<S>	<C>	<C>
First Quarter.....	N/A	N/A
Second Quarter.....	N/A	N/A
Third Quarter.....	N/A	N/A
Fourth Quarter.....	\$14.63	\$11.00

</TABLE>

On July 23, 1999, the last reported sales price on the New York Stock Exchange for the Common Stock was \$14.13 per share and there were approximately 1,927 shareholders of record of the Common Stock.

The Company has not paid any dividends since April 30, 1996 and does not intend to pay any cash dividends in the foreseeable future but instead intends to retain any future earnings to finance its operations and growth of the business. Future dividend policy will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Board of Directors.

On February 17, 1999, the Company completed its initial public offering under a Registration Statement on Form S-1 effective February 10, 1999 (Securities and Exchange Commission file number 333-61697) covering 11.8 million shares of common stock at \$14.00 per share, of which approximately 10.0 million shares were offered by the Company and approximately 1.8 million shares were offered by other selling shareholders. Net proceeds from the offering (after deducting underwriting discounts and other expenses payable by the Company) were approximately \$124.3 million to the Company and \$24.4 million to the selling shareholders. The Company also received approximately \$3.0 million from the repayment by certain selling shareholders of loans from the Company to those selling shareholders. The Company used \$14.4 million of the net proceeds to repay its term loan and all outstanding indebtedness under the Company's credit facilities, \$27.1 million to complete the redemption by the Company of certain shares of its capital stock, primarily shares owned by certain shareholders under the terms of a 1994 stock redemption agreement, and the outstanding shares of Series A and B preferred stock and \$4.3 million to pay existing obligations to former holders of phantom units and stock appreciation rights. The remaining proceeds of \$81.5 million will be used for possible future acquisitions, working capital and general corporate purposes, including the expansion of Futurestep, and continued development of technology, information systems and infrastructure. The Company has currently invested the remaining proceeds in short-term high grade commercial paper, bonds, and other securities.

Item 6. Selected Financial Data

The following selected financial data are qualified by reference to, and should be read in conjunction with, the Company's audited consolidated financial statements and notes thereto (the "Consolidated Financial Statements") and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10-K report. The selected statement of operations data set forth below for the Company for the fiscal years ended April 30, 1999, 1998 and 1997 and the selected balance sheet data as of April 30, 1999 and 1998 are derived from the Company's Consolidated Financial Statements, audited by Arthur Andersen LLP, appearing elsewhere in this Form 10-K report. The selected statement of operations data set forth below for the Company for the fiscal years ended April 30, 1995 and 1994 and the balance sheet data as of April 30, 1996, 1995 and 1994 are derived from consolidated financial statements and notes thereto, audited by Arthur Andersen LLP, which are not included in this Form 10-K report.

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,				
	-----	-----	-----	-----	-----
	1999	1998	1997	1996	1995

	(dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Selected Statement of Operations Data:					
Total revenues.....	\$373,095	\$315,025	\$272,561	\$230,217	\$187,888
Less reimbursed candidate expenses.....	16,565	14,470	12,137	8,731	6,627
Net revenues.....	356,530	300,555	260,424	221,486	181,261
Compensation and benefits (1)....	216,991	197,790	166,854	140,721	116,363
General and administrative expenses.....	100,714	84,575	73,005	64,419	48,630
Non-recurring charges (2).....	89,202	--	--	--	--
Operating profit (loss).....	(50,377)	18,190	20,565	16,346	16,268
Interest expense.....	4,463	4,234	3,320	3,683	2,323
Income (loss) before provision for income taxes and non-controlling shareholders' interests.....	(54,840)	13,956	17,245	12,663	13,945
Provision for income taxes.....	9,026	6,687	6,658	3,288	5,322
Non-controlling shareholders' interests.....	2,560	2,025	1,588	1,579	2,139
Net income (loss).....	\$ (66,426)	\$ 5,244	\$ 8,999	\$ 7,796	\$ 6,484
Net income (loss) per share					
Basic.....	\$ (2.37)	\$ 0.24	\$ 0.42	\$ 0.38	\$ 0.30
Diluted.....	(2.37)	0.23	0.40	0.36	0.27
Weighted average common shares outstanding					
Basic.....	28,086	21,885	21,382	20,390	21,874
Diluted.....	28,086	23,839	23,481	23,019	25,607
Other Data:					
Total revenues by region:					
North America.....	\$200,236	\$162,618	\$135,192	\$111,513	\$ 97,950
Europe.....	106,566	86,180	77,505	68,890	49,769
Asia/Pacific.....	35,090	34,811	34,532	29,921	21,227
Latin America.....	31,203	31,416	25,332	19,893	18,942
Number of offices (at period end)					
(3).....	71	71	66	62	59
Average number of consultants					
(3).....	406	357	311	284	258
Number of assignments (3).....	6,771	5,879	4,774	4,113	3,570
Selected Balance Sheet Data:					
Cash and cash equivalents.....	\$113,741	\$ 32,358	\$ 25,298	\$ 26,640	\$ 28,244
Marketable securities, current...	21,839	--	--	--	--
Working capital.....	116,061	26,573	20,051	22,006	22,735
Total assets.....	304,124	176,371	148,405	126,341	110,003
Total long-term debt.....	2,360	6,151	3,206	3,922	6,004
Total mandatorily redeemable stock and shareholders' equity..	172,686	58,754	50,812	43,075	34,149

(1) Upon consummation of the public offering, the Company's revised compensation program became effective for fiscal 1999, commencing May 1, 1998. The revised compensation program reduces the amount of consultants' annual cash performance bonus payments and provides for the issuance of options to purchase up to seven million shares of Common Stock at the market value at the time of the grant. Compared to the prior compensation program, the revised compensation program resulted in a reduction in bonus expense of \$21.3 million for fiscal 1999.

(2) The Company recognized a non-recurring compensation and benefits expense of \$89.2 million in fiscal 1999, at the completion of the public offering, comprised of (a) \$49.3 million representing the difference between the issuance price of the shares issued by the Company in the period beginning twelve months before the initial filing date of the Registration Statement relating to the public offering and the fair market value of the shares at the date of grant, (b) \$25.7 million from the completion of the redemption by the Company of certain shares of its capital stock, primarily the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement, and (c) \$4.3 million from the payment of existing obligations to former holders of phantom units and stock appreciation rights. The Company also recognized non-recurring charges of \$7.3 million related to costs, primarily severance and benefits expense, incurred to achieve operating efficiencies in fiscal 1999 and \$2.6 million related to the resignation of the former President and Chief Executive Officer.

(3) For fiscal 1999, the number of offices at period end, the average number of consultants and the number of engagements includes one, nine and 160, respectively, for Futurestep.

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

The following presentation of management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and other financial information included herein.

Overview

Korn/Ferry International is the world's largest executive search firm and has the broadest global presence in the industry with 425 consultants based in 71 offices across 40 countries. KFY's clients are many of the world's largest and most prestigious public and private companies, middle-market and emerging growth companies as well as governmental and not-for-profit organizations. Almost half of the searches performed by the Company in fiscal 1999 were for board level, chief executive and other senior executive officer positions and approximately 43% of the Company's 4,151 clients were Fortune 500 companies. The Company has established strong client loyalty; more than 90% of the search assignments it performed in fiscal 1999 were on behalf of clients for whom it had conducted multiple assignments over the last three fiscal years.

On February 17, 1999, the Company completed the public offering of 11.8 million shares of its Common Stock at \$14.00 per share, approximately 10.0 million of which were sold by the Company, with the balance sold by certain selling shareholders of the Company. Net proceeds received by the Company from the offering were \$124.3 million.

Upon consummation of the public offering, the Company's revised compensation program became effective for the fiscal year commencing May 1, 1998. The revised compensation program reduces the amount of consultants' annual cash performance bonus payments and provides for the issuance of options to purchase up to seven million shares of its Common Stock at the market value at the time of the grant. Compared to the prior compensation program, the implementation of the revised compensation program resulted in a reduction in bonus expense of \$21.3 million for fiscal 1999.

The Company recognized a non-recurring compensation and benefits expense of \$79.3 million at the completion of the public offering, comprised of (a) \$49.3 million representing the difference between the issuance price of the shares issued by the Company in the period beginning twelve months before the initial filing date of the Registration Statement relating to the public offering and the fair market value of the shares at the date of grant, (b) \$25.7 million

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from the completion of the redemption by the Company of certain shares of its capital stock, primarily the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement, and (c) \$4.3 million from the payment of existing obligations to former holders of phantom units and stock appreciation rights.

The Company recently completed an evaluation of its worldwide operations and revenues, compensation costs and other operating expenses for each of its offices and geographic locations. The Company conducted the evaluation in order to identify, and eventually eliminate, existing inefficiencies and excess costs in order to better align and enhance the competitive position of the Company within each region. The Company assessed staff levels and office needs based on individual performance and the economic conditions and outlook in each region. The Company identified approximately 50 employees that would be terminated and three underperforming European offices that will be downsized or relocated to more efficient premises. As a result of this analysis, a non-recurring charge to earnings of approximately \$7.0 million for severance and benefit costs related to staff downsizing was recognized in fiscal 1999. This expense is comprised of a \$3.2 million non-cash charge to earnings related to the release of existing book value stock repurchase requirements for nine of the terminated employees and \$3.8 million for severance and benefit payments for the terminated employees, of which \$3.7 million was paid as of April 30, 1999. The Company also recognized a non-recurring charge of \$0.3 million, of which \$0.2 million was paid as of April 30, 1999, for lease renegotiation and other relocation costs in fiscal 1999. The Company does not expect any additional charge to earnings related to these charges.

The Company recognized a non-recurring charge of \$2.6 million in connection with the resignation of the former President and Chief Executive Officer. This charge is comprised of \$1.5 million for compensation and other amounts payable over the first seven months of fiscal 2000, of which \$0.8 million was paid as of April 30, 1999 and a \$1.1 million non-cash charge to earnings representing the difference between the then current book value and the appraised value of 165,168 common shares he retained subsequent to his resignation.

In May 1998, the Company introduced its Internet-based service, Futurestep. Futurestep combines KFY's search expertise with exclusive candidate assessment tools and the reach of the Internet to accelerate recruitment of candidates for middle-management positions. Futurestep's operating losses approximated \$12.6 million and \$0.8 million for fiscal 1999 and 1998, respectively, and are primarily related to compensation expense, start-up costs and advertising expense to promote and expand the business rollout. The Company believes Futurestep will generate operating losses through at least the end of fiscal 2000. In March 1999, the Company completed its roll-out of Futurestep in the United States with the addition of the Midwest and Southwest regions to the Futurestep's East and West Coast operations. Approximately 326,000 candidates worldwide had completed a detailed on-line profile through June 1999. Futurestep launched its international roll-out in the United Kingdom and Canada in May and June 1999, respectively, and plans to expand in other selected foreign markets through fiscal 2000.

The Company and Futurestep are in the first year of their three-year contract for an exclusive alliance with The Wall Street Journal, which provides the Company with reduced advertising rates, requires the purchase by Futurestep of a minimum amount of print and on-line advertising and permits the use of The Wall Street Journal name in connection with promotion of the Futurestep service. The contract requires the Company and Futurestep to purchase from The Wall Street Journal a minimum of \$3.5 million, \$4.0 million and \$2.5 million of print and on-line advertising in the first, second and third year of the contract, respectively. From the beginning of the contract in June 1998 through April 30, 1999, the Company and Futurestep purchased approximately \$3.0 million of advertising.

The Wall Street Journal may terminate the contract at any time if (a) the Company or Futurestep breach a material provision of the contract, (b) there is an effective change in control of the Company or Futurestep (other than pursuant to a registered offering) or (c) any party to the contract is adjudged to be insolvent or bankrupt. If the contract terminates for any of these reasons during the initial three-year term, the Company and Futurestep would be obligated to pay any unpaid remainder of the annual minimum payment amount for the year in which termination occurs plus an additional \$2.5 million.

As the largest global executive search firm, the Company believes it has the resources to be the leader in the consolidation of the highly fragmented search industry. The Company frequently evaluates opportunities to expand its business through acquisitions, and from time to time, the Company engages in discussions with potential targets. The Company views strategic acquisitions as a key component of its long term growth strategy and intends to pursue future acquisition opportunities. In fiscal 1999, the Company completed the acquisition of Didier, Vuchot and Associates in France and Ray and Berndtson SA in Switzerland. In June 1999, the Company completed the acquisition of the Australian business of Amrop International Australasia. See "Recent Events."

Results of Operations

The following table summarizes the results of the Company's operations for each of the past three fiscal years as a percentage of net revenues.

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,			
	1999	1998	1997	
	----	----	----	
<S>	<C>	<C>	<C>	<C>
Net revenues.....	100%	100%	100%	
Compensation and benefits.....	61	66	64	
General and administrative expenses.....	28	28	28	
Non-recurring charges.....	25	--	--	
Operating profit (loss) (1) (2).....	(14)	6	8	
Net income (loss) (2).....	(19)	2	3	

</TABLE>

- (1) For fiscal 1999 and 1998, operating profit as a percentage of net revenues excluding Futurestep and non-recurring charges is 15% and 6%, respectively.
- (2) Excluding the one-time non-recurring charges in fiscal 1999, operating profit and net income as a percentage of net revenues is 11% and 5%, respectively.

The Company experienced growth in total revenues in all geographic regions from fiscal 1997 through 1999, except for Latin America. The following table summarizes the Company's total revenues by geographic region for each of the past three fiscal years. The Company includes revenues generated from its

Mexico operations with its operations in Latin America. Futurestep revenues of \$4.4 million for fiscal 1999 are included in North America.

<TABLE>
<CAPTION>

Fiscal Year Ended April 30,
(dollars in thousands)

	1999		1998		1997	
	Dollars	%	Dollars	%	Dollars	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
North America.....	\$200,236	54%	\$162,618	52%	\$135,192	50%
Europe.....	106,566	29	86,180	27	77,505	28
Asia/Pacific.....	35,090	9	34,811	11	34,532	13
Latin America.....	31,203	8	31,416	10	25,332	9
Total revenues.....	\$373,095	100%	\$315,025	100%	\$272,561	100%

</TABLE>

In the following comparative analysis, all percentages are calculated based on dollars in thousands.

Fiscal 1999 Compared to Fiscal 1998

Total Revenues

Total revenues increased \$58.1 million, or 18.4%, to \$373.1 million for fiscal 1999 from \$315.0 million for fiscal 1998. The increase in total revenues was primarily the result of a 15.2% increase in the number of assignments, a 13.7% increase in the average number of consultants, and revenues from Futurestep in fiscal 1999.

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In North America, total revenues, including Futurestep revenues of \$4.4 million, increased \$37.6 million, or 23.1%, to \$200.2 million for fiscal 1999 from \$162.6 million for fiscal 1998. In Europe, total revenues increased \$20.4 million, or 23.7%, to \$106.6 million in fiscal 1999 from \$86.2 million in the prior fiscal year. In Asia/Pacific and Latin America, total revenues remained relatively flat in fiscal 1999 as compared to fiscal 1998 with an increase of 0.8% and a decrease of 0.7% in these regions, respectively.

Total revenue growth in North America, including Futurestep, and Europe was attributable mainly to a 26.1% and 18.6% increase, respectively, in the number of engagements and an increase of 16.4% and 11.6%, respectively, in the average number of consultants. The growth in total revenues in North America also reflects Futurestep revenues of \$4.4 million in fiscal 1999. The growth in total revenues in Europe primarily reflects the additional revenues generated from acquisitions of businesses in France and Switzerland completed in the beginning of fiscal 1999 and two offices that were opened in late fiscal 1998. The relatively flat total revenues for Asia/Pacific and Latin America in fiscal 1999 and fiscal 1998 were attributable to economic uncertainties in these regions. The economic conditions in Asia/Pacific that began in late fiscal 1998 broadly impacted the region while the Latin American region was primarily impacted by a sharp decline in the Brazilian economy in the third quarter of fiscal 1999. Due to recent economic improvements in both regions, the Company believes that the impact of these economies on operating results may have stabilized.

Interest income and other income increased \$1.0 million to \$5.0 million in fiscal 1999 from \$4.0 million in fiscal 1998. The increase was due primarily to interest income on the investment of proceeds received from the public offering.

Compensation and Benefits

Compensation and benefits increased \$19.2 million, or 9.7%, to \$217.0 million in fiscal 1999 from \$197.8 million in fiscal 1998. For fiscal 1999, bonus expense was reduced by approximately 26% as a result of the implementation of the Company's revised compensation program effective as of May 1, 1998 upon completion of the initial public offering. Excluding Futurestep and reflecting the bonus reduction in fiscal 1998, compensation and benefits as a percentage of net revenues, increased slightly to 60.0% in fiscal 1999 from 59.4% in fiscal 1998. The \$32.9 million increase, on the same basis, reflected the 13.7% increase in the average number of consultants to 406 in fiscal 1999 from 357 in fiscal 1998.

General and Administrative Expenses

General and administrative expenses consist of occupancy expenses associated with the Company's leased premises, investments in information and technology infrastructure, marketing and other general office expenses.

General and administrative expenses increased \$16.1 million, or 19.1%, to \$100.7 million in fiscal 1999 from \$84.6 million in fiscal 1998. This increase was attributable largely to Futurestep expenses of \$11.3 million, primarily related to business development. As a percentage of net revenues, general and administrative expenses, excluding Futurestep related net revenues and expenses, declined to 25.4% in fiscal 1999 from 28.0% in fiscal 1998. The decrease primarily reflects the higher percentage increase in net revenues and the elimination of excess costs in fiscal 1999.

Operating Profit

The operating loss of \$50.4 million in fiscal 1999 represents a decrease of \$68.6 million from operating profit of \$18.2 million in fiscal 1998. The fiscal 1999 operating loss includes Futurestep losses of \$12.6 million and non-recurring charges of \$89.2 million. Excluding the Futurestep net revenues and expenses and the non-recurring charges, operating profit, as a percentage of net revenues, increased to 14.6% in fiscal 1999 from 6.3% in fiscal 1998. For fiscal 1999, operating margins on this same basis increased in all regions compared to fiscal 1998 due to the increase in net revenues and the reduced level of bonus expense discussed above.

Excluding the Futurestep loss and the non-recurring charges, the percentage of the Company's operating profit contributed by North America remained relatively constant at 57.8% and 60.4% in fiscal 1999 and 1998, respectively.

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The Latin American region contribution decreased to 17.3% in fiscal 1999 from 33.9% in fiscal 1998 largely due to the percentage decline in revenues in the third and fourth quarters of fiscal 1999 while operating costs remained relatively constant. The percentage of the Company's operating profit contributed by the European and Asia/Pacific regions increased to approximately 18.3% and 6.6%, respectively, in fiscal 1999 from 2.0% and 3.7%, respectively, in fiscal 1998, primarily reflecting the elimination of excess costs in these regions in fiscal 1999.

Interest Expense

Interest expense increased \$0.3 million to \$4.5 million in fiscal 1999 from \$4.2 million in fiscal 1998. The increase in interest expense for fiscal 1999 reflects the Company's increased additional borrowings under Company-owned life insurance (COLI) policies offset by a lower average outstanding debt balance.

Provision for Income Taxes

The provision for income taxes increased \$2.3 million to \$9.0 million in fiscal 1999 from \$6.7 million in fiscal 1998. The effective tax rate for fiscal 1999 was 42.0%, excluding \$76.3 million of non-recurring charges that are not tax deductible, compared to 47.9% in the prior fiscal year. The decrease in the effective tax rate resulted primarily from a decrease in foreign cash remittances which are treated as taxable income in the United States when received.

Non-controlling Shareholders' Interests

Non-controlling shareholders' interests are comprised of the non-controlling shareholders' majority interests in the Company's Mexico subsidiaries. Non-controlling shareholders' interests increased \$0.5 million to \$2.5 million in fiscal 1999 from \$2.0 million in fiscal 1998 and primarily reflects a corresponding increase in net income generated by the Mexican subsidiaries in fiscal 1999.

Fiscal 1998 Compared to Fiscal 1997

Total Revenues

Total revenues increased \$42.5 million, or 15.6%, to \$315.0 million for fiscal 1998 from \$272.6 million for fiscal 1997. The increase in total revenues was primarily the result of a 14.8% increase in the average number of consultants and a 23.1% increase in the number of assignments in fiscal 1998.

In North America, total revenues increased \$27.4 million, or 20.3%, to \$162.6 million for fiscal 1998 from \$135.2 million for fiscal 1997. In Europe, total revenues increased \$8.7 million, or 11.2%, to \$86.2 million in fiscal 1998 from \$77.5 million in fiscal 1997. In Asia/Pacific, total revenues remained relatively flat in fiscal 1998 as compared to fiscal 1997 and in Latin America, total revenues increased \$6.1 million, or 24.0%, to \$31.4 million in fiscal 1998 from \$25.3 million in fiscal 1997.

The average number of consultants grew in each region, reflecting the addition of two offices in North America, two offices in Europe and one office in Latin America. In addition, the Company experienced strong growth in the number of assignments in each region except Asia/Pacific and increased total revenue per assignment in North America. The relatively constant total

revenues and assignments for Asia/Pacific from fiscal 1997 to fiscal 1998 were attributable to economic uncertainties in this region.

Interest income and other income increased \$1.1 million to \$4.0 million in fiscal 1998 from \$2.9 million in fiscal 1997. The increase was due primarily to other search related services.

Compensation and Benefits

Compensation and benefits increased \$30.9 million, or 18.5%, to \$197.8 million in fiscal 1998 from \$166.9 million in fiscal 1997. This increase was attributable to a 14.8% increase in the average number of consultants to 357 in fiscal 1998 from 311 in fiscal 1997 and an overall increase in compensation and benefits as a percentage of net revenues. Compensation and benefits as a percentage of net revenues in fiscal 1998 was 65.8% as compared to

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64.1% in fiscal 1997. In addition, the Company has incurred an increase in sign-on bonuses granted to newly hired consultants in fiscal 1998 prior to their generation of revenues and guaranteed bonuses.

General and Administrative Expenses

General and administrative expenses increased \$11.6 million, or 15.8%, to \$84.6 million in fiscal 1998 from \$73.0 million in fiscal 1997. This increase was primarily related to an increase in occupancy and office expenses, including depreciation and leasehold amortization expense attributable to the opening of five new offices in fiscal 1998 as well as the full year of operation of four offices, after the opening of six offices, and the closing of two offices, in fiscal 1997. As a percentage of net revenues, general and administrative expenses remained constant at approximately 28.1% for both fiscal 1998 and fiscal 1997. Technology expenses amounted to \$8.4 million in fiscal 1998 as compared to \$7.2 million in fiscal 1997.

Operating Profit

Operating profit decreased \$2.4 million to \$18.2 million in fiscal 1998 from \$20.6 million in fiscal 1997. As a percentage of net revenues, operating profit decreased to 6.1% in fiscal 1998 from 7.9% in fiscal 1997. This decrease was attributable to the increase in compensation and benefits in fiscal 1998 from fiscal 1997 as discussed above.

The percentage of the Company's operating profit contributed by the North American and Asia/Pacific regions decreased to approximately 58.6% and 3.9%, respectively, in fiscal 1998 compared to 66.7% and 17.4%, respectively in the prior fiscal year. The percentage of the Company's operating profit contributed by the European region increased to approximately 2.1% in fiscal 1998 from a negative contribution of 4.5% in fiscal 1997, and the percentage of the Company's operating profit contributed by the Latin American region increased to approximately 35.4% of the Company's operating profit in fiscal 1998 from 20.4% in fiscal 1997.

Interest Expense

Interest expense increased \$0.9 million to \$4.2 million in fiscal 1998 from \$3.3 million in fiscal 1997. Interest expense for this two year period reflected the Company's increased borrowings under life insurance policies and the Company's credit facility.

Provision for Income Taxes

The provision for income taxes in both fiscal 1998 and fiscal 1997 was \$6.7 million. The effective tax rate was 47.9% for fiscal 1998 compared to 38.6% in fiscal 1997. The increase was due to the increase in cash remittances from foreign operations that was treated as taxable income in the United States.

Non-controlling Shareholders' Interests

Non-controlling shareholders' interests increased \$0.4 million to \$2.0 million in fiscal 1998 from \$1.6 million in fiscal 1997. This change was primarily due to an increase in net income generated by the Mexico subsidiaries of approximately \$1.0 million in fiscal 1998.

Liquidity and Capital Resources

The following table presents selected financial information as of the end of the past three fiscal years:

<TABLE>
<CAPTION>

As of April 30, (in thousands)		
1999	1998	1997

<u><S></u>	<u><C></u>	<u><C></u>	<u><C></u>
Working capital.....	\$116,061	\$26,573	\$20,051
Borrowings on line of credit.....	--	--	3,000
Total long-term debt, net of current maturities.....	2,360	6,151	3,206
Borrowings under life insurance policies.....	42,655	37,638	32,278

</TABLE>

The Company finances operating expenditures primarily through cash flows from operations and maintains a line of credit to manage timing differences between cash receipts and disbursements. In February 1999, the Company received \$124.3 million upon completion of its initial public offering.

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To provide additional liquidity, the Company obtained a \$50 million credit facility with Mellon Bank, N.A. and Bank of America National Trust and Savings Association in February 1999 to replace the Company's existing line of credit. The credit facility is a three year, unsecured revolving facility and includes a standby letter of credit subfacility. Outstanding borrowings will bear interest at various rates based, at the Company's option, on either a LIBOR index or the bank's prime lending rate. The financial covenants include a minimum tangible net worth, a maximum leverage ratio, and interest coverage ratios and customary events of default. As of April 30, 1999, the Company had no outstanding borrowings under its revolving line of credit.

Cash provided by operating activities was \$38.7 million, \$18.5 million and \$10.2 million for fiscal 1999, 1998 and 1997, respectively. The \$20.2 million increase in operating cash flow in fiscal 1999 compared to the prior fiscal year is due primarily to an increase in net income excluding non-recurring charges of \$12.2 million and an increase in accounts payable and accrued liabilities of \$13.6 million; offset by approximately \$4.6 million of cash used for non-recurring charges consisting of severance and benefit payments related to staff downsizing, modification to existing stock repurchase agreements and office rationalization in fiscal 1999. See "Notes to Consolidated Financial Statements--Note 5."

Capital expenditures totaled approximately \$8.1 million, \$9.9 million and \$8.5 million for fiscal 1999, 1998 and 1997, respectively. These expenditures consisted primarily of upgrades to information systems, purchases of office equipment and leasehold improvements. The Company expects to maintain capital expenditures in fiscal 2000 at the fiscal 1999 level to support office expansion and technology investments. In addition, the Company is installing a new financial system, beginning in fiscal 2000, with an expected installation cost of approximately \$11.0 million over the next two fiscal years.

Included in cash flows from investing activities are premiums paid on COLI contracts. The Company purchases COLI contracts to provide a funding vehicle for anticipated payments due under its deferred executive compensation programs. Premiums on these COLI contracts were \$12.4 in fiscal 1999 and 1998 and \$7.9 million in fiscal 1997. The increase in premium payments from fiscal 1997 to fiscal 1998 of \$4.5 million is attributable to purchase of additional policies for new and existing participants in late fiscal 1998. Generally, the Company borrows against the cash surrender value of the COLI contracts to fund the COLI premium payments. In fiscal 1999, 1998 and 1997, the Company also redeemed guaranteed investment contracts, originally purchased in fiscal 1996 with proceeds from borrowings against COLI contracts in excess of premium payments, of \$1.7 million, \$1.9 million and \$1.8 million, respectively.

In May 1998, the Company acquired the assets and liabilities of Didier Vuchot & Associates in France for approximately \$6.0 million in cash, notes and mandatorily redeemable stock of a subsidiary of the Company. In June 1998, the Company acquired all of the outstanding shares of Ray & Berndtson SA in Switzerland for \$3.6 million payable in cash, notes and common stock of the Company. The acquisitions resulted in a net cash outflow of \$1.3 million, comprised of a \$2.5 million cash payment offset by \$1.2 million of cash acquired.

In February 1996, the Company divested its 47% interest in Strategic Compensation Associates for a cash payment of \$0.4 million and \$3.2 million in notes receivable with interest. The outstanding balance of the notes receivable at December 31, 1998 was paid in full, resulting in a net cash inflow of \$2.3 million in fiscal 1999.

During fiscal 1999, cash provided by financing activities was \$92.9 million, resulting primarily from net proceeds raised in the initial public offering of \$124.3 million and \$3.0 million from certain selling shareholders received in repayment of outstanding notes receivable; offset by \$14.4 million used to repay the Company's term loan and all outstanding indebtedness under its credit facilities, \$27.1 million to complete the redemption by the Company of certain shares of its capital stock, primarily shares owned by certain shareholders under the terms of a 1994 stock redemption agreement and the outstanding shares of Series A and B preferred stock and \$4.3 million to pay existing obligations to former holders of phantom units and stock appreciation

rights, resulting in net proceeds available for investment of \$81.5 million. Prior to the public offering, the Company issued approximately 6.6 million shares of Common Stock to newly hired and promoted consultants for \$36.1 million of which \$16.7 million was received in cash and repurchased approximately 2.6 million shares of Common Stock from terminated employees for \$21.9 million. In fiscal 1999, the Company also borrowed \$6.0 million under COLI contracts and repaid bank borrowings and other debt aggregating \$8.7 million.

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During fiscal 1998, cash provided by financing activities was approximately \$9.2 million, comprised primarily of borrowings under COLI contracts of \$5.4 million and proceeds from sales of Common Stock to newly hired and promoted consultants and payments received on the related promissory notes of \$6.6 million, offset by \$2.8 million paid to repurchase Common Stock and make payments on the related notes.

During fiscal 1997, cash provided by financing activities was approximately \$4.4 million, consisting primarily of proceeds from sales of Common Stock to newly hired and promoted consultants and payments received on the related promissory notes of \$5.6 million and borrowings against COLI contracts of \$2.0 million offset by repurchases of Common Stock and payments made on the related notes payable of \$3.7 million.

Total outstanding borrowings under life insurance policies were \$42.7 million, \$37.6 million and \$32.3 million as of April 30, 1999, 1998 and 1997, respectively. Such borrowings are secured by the cash surrender value of the life insurance policies, do not require principal payments and bear interest at various variable rates.

The Company believes that funds from operations, its expanded credit facilities, and the net proceeds from the initial public offering will be sufficient to meet its anticipated working capital, capital expenditures, and general corporate requirements for the foreseeable future.

Recent Events

On June 11, 1999, the Company completed the acquisition of the Australian business of Amrop International Australasia for approximately \$3.2 million in cash paid over a four-year period and common stock grants at fair value of \$0.6 million. The acquisition has been accounted for as a purchase. Of the total purchase price of \$3.8 million, \$2.0 million will be accounted for as deferred compensation. The fair market value of the net assets acquired was approximately \$0.2 million and the excess of the consideration, less the amount attributable to deferred compensation, paid over the estimated fair value of net assets acquired has been recorded as goodwill.

Year 2000 Compliance

The Year 2000 issue is the result of computer programs being written to use two digits to define year dates. Computer programs running date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This defect could result in systems failure or miscalculations causing disruptions of operations. The Company utilizes information technology to facilitate (i) its internal search processes and inter-office communications, (ii) communications with candidates and clients and (iii) its financial management systems and other support systems. The statements contained in this section are "Year 2000 Readiness Disclosures" as provided for in the Year 2000 Information and Readiness Disclosure Act.

The following scenarios with respect to the Company's systems could occur: (i) its software may not be Year 2000 compliant, (ii) integration of upgrades may not be complete by the year 2000 and (iii) replacement of its non-compliant systems may be complete by the year 2000 but not fully tested or monitored prior to the year 2000 such that testing and monitoring will uncover problems that the Company cannot remedy in a timely manner.

Failure of search-related systems to be Year 2000 compliant might force the Company to use different Year 2000 compliant systems to conduct searches and might decrease productivity. Any failure of the Company's financial systems to be Year 2000 compliant could hinder timely reporting of financial data and processing of financial information as these functions would have to be performed manually using non-networked computers. If any non-information technology systems is not Year 2000 compliant, the Company will need to repair or replace such systems. The Company believes that failure to be Year 2000 compliant will not have a significant impact on its human resource systems. The Company's interruption or loss of information processing capabilities due to Year 2000 issues could have a material adverse effect on the Company's business, results of operations and financial condition.

In fiscal 1999, the Company completed an inventory and Year 2000 assessment of its principal computer systems, network elements, software applications and other business systems. The Company incurred approximately \$0.3 million in fiscal 1999 to resolve Year 2000 issues and expects to incur approximately

in fiscal 2000. The expenses to be incurred on the Year 2000 issues are being funded through operating cash flows. The Company estimates full compliance by October 31, 1999. The costs relating to the Year 2000 issues and the date on which the Company believes it will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third-party modification plans and other factors. Actual results could differ materially from those anticipated.

The Company's primary business does not depend on material relationships with third party vendors but utilizes third party vendors for a number of functions, including its automated payroll functions, insurance and investment of pension funds. The Company is initiating formal communications with third party providers to determine the extent to which these third parties are moving toward Year 2000 compliance. The Company also utilizes third party on-line information services and the Internet to communicate and to retrieve information about potential candidates and clients. Failure of these third parties to have their systems Year 2000 compliant may have a material adverse effect on the Company's operations.

The Company is in the process of developing a disaster recovery plan that includes the implementation of alternative services in the event of a business disruption. The plan is intended to address critical resources for the Company and key resources for its remote offices, including interruptions that are the result of problems arising from the Year 2000 issue. During and after any disaster, these back-up solutions are intended to serve as temporary replacements for the Company's e-mail, Internet access and proprietary applications, which are integral to the Company's business. The Company intends to have its disaster recovery plan completed by October 31, 1999 and to have the plan fully implemented and tested for readiness of usage during December 1999.

Quarterly Results

The following table sets forth certain unaudited statement of operations data for the quarters in fiscal 1998 and 1999. The unaudited quarterly information has been prepared on the same basis as the annual financial statements and, in management's opinion, includes all adjustments necessary to present fairly the information for the quarters presented. Results for the previous fiscal quarter are not necessarily indicative of results for the full fiscal year or for any future fiscal quarter.

<TABLE>
<CAPTION>

	Quarters Ended,							
	Fiscal 1998				Fiscal 1999			
	July 31	Oct. 31	Jan. 31	April 30	July 31	Oct. 31	Jan. 31	April 30
	(in thousands, except per share amounts)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total revenues.....	\$70,273	\$76,862	\$82,623	\$85,267	\$88,995	\$94,767	\$92,161	\$97,172
Net revenues.....	67,859	72,472	79,336	80,888	84,675	91,014	88,575	92,266
Operating profit								
(loss) (1).....	4,094	4,230	5,091	4,775	4,389	2,959	11,066	(2) (68,791) (3)
Net income (loss) (1)....	1,112	1,326	1,587	1,219	1,519	(146)	5,105	(2) (72,904) (3)
Net income (loss) per share.....								
Basic.....	0.05	0.06	0.07	0.05	0.06	(0.01)	0.19	(2.15)
Diluted.....	0.05	0.06	0.07	0.05	0.05	(0.01)	0.19	(2.15)

</TABLE>

(1) For the fiscal quarters ended July 31, 1998, October 31, 1998, January 31, 1999 and April 30, 1999, operating losses generated by Futurestep were \$2,483, \$4,579, \$3,411 and \$2,105, respectively and net losses generated by Futurestep were \$1,415, \$2,610, \$1,998 and \$1,221, respectively.

(2) Fiscal 1999 third quarter results include a reduction in bonus expense of \$10.2 million related to the first and second fiscal 1999 quarters and \$5.4 million related to the third fiscal quarter, resulting from the implementation of the Company's revised compensation program effective May 1, 1998 upon completion of the public offering and non-recurring expenses of \$8.4 million related to improving operating efficiencies and the resignation of the former President and Chief Executive Officer. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

(3) The Company recognized a non-recurring compensation and benefits expense

of \$79.3 million in the fourth quarter of fiscal 1999, at the completion of the public offering, comprised of (a) \$49.3 million representing the difference between the issuance price of the shares issued by the Company in the period beginning twelve months before the initial filing date of the Registration Statement relating to the public offering and the fair market value of the shares at the date of grant, (b) \$25.7 million from the completion of the redemption by the Company of certain shares of its capital stock, primarily the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement, and (c) \$4.3 million from the payment of existing obligations to former holders of phantom units and stock appreciation rights. The Company also recognized additional non-recurring charges of \$1.5 million related to costs, primarily severance and benefits expense, incurred to achieve operating efficiencies in fiscal 1999.

Euro Conversion

As of January 1, 1999, several member countries of the European Union established fixed conversion rates among their existing local currencies, and adopted the Euro as their new common legal currency. The Euro trades on currency exchanges and the legacy currencies will remain legal tender in the participating countries for a transition period which expires January 1, 2002. The conversion to the Euro has not had a significant impact on the Company's operations to date.

During the transition period, cashless payments can be made in the Euro, and parties can elect to pay for goods and services and transact business using either the Euro or a legacy currency. Between January 1, 2002 and July 1, 2002, the participating countries will introduce Euro notes and coins and withdraw all legacy currencies so that they will no longer be available.

KFY is currently assessing its information technology systems to determine whether they allow for transactions to take place in both the legacy currencies and the Euro and accommodate the eventual elimination of the legacy currencies. The Company's currency risk may be reduced as the legacy currencies are converted to the Euro. Accounting, tax and governmental legal and regulatory guidance generally has not been provided in final form and the Company will continue to evaluate issues involving introduction of the Euro throughout the transition period.

Recently Issued Accounting Standards

During 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") which establishes new standards for reporting derivative and hedging information. The standard is effective for periods beginning after June 15, 2000 and will be adopted by the Company as of May 1, 2001. It is not expected that the adoption of this standard will have any impact on the consolidated financial statements nor require additional footnote disclosure since the Company does not currently utilize derivative instruments or participate in structured hedging activities.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 is effective for financial statements for years beginning after December 15, 1998 and will be adopted by the Company beginning in fiscal 2000. SOP 98-1 provides guidance over accounting for computer software developed or obtained for internal use including the requirement to capitalize specified costs and amortization of such costs. It is not expected that the adoption of this standard will have a material effect on the consolidated financial statements or on the capitalization policy.

Forward-looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this report contain forward looking statements that are based on the current beliefs and expectations of the Company's management, as well as assumptions made by, and information currently available to, the Company's

management. Such statements include those regarding general economic and executive search industry trends. Because such statements involve risks and uncertainties, actual actions and strategies and the timing and expected results thereof may differ materially from those expressed or implied by such forward-looking statements, and the Company's future results, performance or achievements could differ materially from those expressed in, or implied by, any such forward-looking statements. Future events and actual results could differ materially from those set forth in or underlying the forward-looking statements.

uncertainties, some of which cannot be predicted. These potential risks and uncertainties include, but are not limited to, dependence on attracting and retaining qualified executive search consultants, portability of client relationships, risks associated with global operations, ability to manage growth, restrictions imposed by off-limits agreements, competition, implementation of an acquisition strategy, risks related to the development and growth of Futurestep, reliance on information processing systems and the impact of Year 2000 issues, and employment liability risk. For more information on these risks and uncertainties, see "Business--Risk Factors" in the Company's Registration Statement on Form S-1 effective February 10, 1999 (Securities and Exchange Commission file number 333-61697).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a result of its global operating activities, the Company is exposed to certain market risks including changes in foreign currency fluctuations, fluctuations in interest rate and variability in interest rate spread relationships. The Company manages its exposure to these risks in the normal course of its business as described below. The Company has not utilized financial instruments for trading or other speculative purposes nor does it trade in derivative financial instruments.

Foreign Currency Risk

Generally, financial results of the Company's foreign subsidiaries are measured in their local currencies. Assets and liabilities are translated into U.S. dollars at the rates of exchange in effect at the end of each year and revenues and expenses are translated at average rates of exchange during the year. Resulting translation adjustments are reported as a component of comprehensive income.

Financial results of foreign subsidiaries in countries with highly inflationary economies are measured in U.S. dollars. The financial statements of these subsidiaries are translated using a combination of current and historical and any translation adjustments are included in determining net income.

Historically, the Company has not experienced any significant translation gains or losses on transactions involving U.S. dollars and other currencies. This is primarily due to natural hedges of revenues and expenses in the functional currencies of the countries in which its offices are located and investment of excess cash balances in U.S. dollar denominated accounts.

Interest Rate Risk

The Company primarily manages its exposure to fluctuations in interest rates through its regular financing activities that generally are short term and provide for variable market rates. The Company has no outstanding balance on either its term loan or revolving line of credit as of April 30, 1999. At April 30, 1999, the Company has an outstanding principal balance of approximately \$2.4 million of long-term notes payable to shareholders through fiscal 2004 at variable market rates. The Company has investments in interest bearing securities at market rates with original maturities ranging from May 1999 through October 2001 and an average maturity period of less than three months.

Item 8. Financial Statements and Supplementary Data

See Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

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

None.

PART III.

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item will be included under the captions "The Board of Directors," "Nominees for Director--Class 2000," "Nominees for Director--Class 2001," and "Nominees for Directors--Class 2002" in the Company's 1999 Proxy Statement, and is incorporated herein by reference. See also "Executive Officers of the Registrant" in Part I of this report.

Item 11. Executive Compensation

The information required by this Item will be included under the captions "Executive Compensation--Summary Compensation Table," "Executive Compensation--Option Grant Table," "Executive Compensation--Aggregated Option Exercises and Year-end Option Values" and "Employment Agreements" in the Company's 1999 Proxy Statement, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item will be included under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Company's 1999 Proxy Statement, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required by this Item will be included under the caption "Certain Relationships and Related Transactions" in the Company's 1999 Proxy Statement, and is incorporated herein by reference.

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PART IV.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) THE FOLLOWING DOCUMENTS ARE FILED AS A PART OF THIS REPORT.

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1. Index to Financial Statements:	
See Consolidated Financial Statements included as part of this Form 10-K at page F-1	
2. Financial Statement Schedule:	
Report of Independent Accountants.....	F-22
Schedule II--Valuation and Qualifying Accounts.....	F-23
3. Exhibits:	

</TABLE>

<TABLE>
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Exhibit Number	Description of Exhibit
-----	-----
<C> <S>	
3.1	Amended and Restated Articles of Incorporation of the Company. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 22, 1999, and incorporated herein by reference.
3.2	Amended and Restated Bylaws of the Company. Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated February 22, 1999, and incorporated herein by reference.
4.1	Specimen Common Stock certificate. Filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.1*	Form of Indemnification Agreement between the Company and each of its executive officers and directors. Filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.2*	Performance Award Plan. Filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.3*	Form of U.S. and International Worldwide Executive Benefit Retirement Plan. Filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.4*	Form of U.S. and International Worldwide Executive Benefit Life Insurance Plan. Filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.5*	Worldwide Executive Benefit Disability Plan (in the form of Long-Term Disability Insurance Policy). Filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.6*	Form of U.S. and International Enhanced Executive Benefit and Wealth Accumulation Plan. Filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999,

and incorporated herein by reference.

- 10.7* Form of U.S. and International Senior Executive Incentive Plan. Filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.8* Executive Salary Continuation Plan. Filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.

</TABLE>

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Exhibit

Number

Description of Exhibit

<C> <S>

- 10.9* Form of Amended and Restated Stock Repurchase Agreement. Filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.10* Form of Standard Employment Agreement. Filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.11* Form of Deferred Compensation Election Form for Fiscal 1998. Filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.12* Stock Purchase Agreement between the Company, Man Jit Singh and Korn/Ferry International Futurestep, Inc. dated as of December 1, 1997.
- 10.13* Shareholders Agreement between the Company, Man Jit Singh and Korn/Ferry International Futurestep, Inc. dated as of December 1, 1997.
- 10.14* Employment Agreement between Man Jit Singh and Korn/Ferry International Futurestep, Inc. dated December 1, 1997. Filed as Exhibit 10.15 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.15* KFI/Singh Agreement between the Company and Man Jit Singh dated December 1, 1997. Filed as Exhibit 10.16 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.16* Amended and Restated Stock Repurchase Agreement between the Company and Man Jit Singh dated as of January 15, 1999.
- 10.17* Stock Purchase Agreement between the Company, Richard M. Ferry, Henry B. Turner and Peter W. Mullin (as trustees of the Richard M. Ferry and Maude M. Ferry 1972 Children's Trust), the California Community Foundation and Richard M. Ferry Co-trustees, and the California Community Foundation dated June 2, 1995. Filed as Exhibit 10.20 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.17A* Form of First Amendment to Stock Purchase Agreement between the Company, Richard M. Ferry, Henry B. Turner and Peter W. Mullin (as trustees of the Richard M. Ferry and Maude M. Ferry 1972 Children's Trust), the California Community Foundation and Richard M. Ferry Co-trustees, and the California Community Foundation dated as of April 25, 1999.
- 10.18* Form of U.S. and Foreign Executive Participation Program. Filed as Exhibit 10.27 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.19* General Release and Settlement Agreement between the Company and Michael D. Boxberger dated December 3, 1998. Filed as Exhibit 10.32 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.20* Additional Redemption Agreement between the Company and Richard M. Ferry dated February 5, 1999. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 22, 1999, and incorporated

herein by reference.

- 10.21* Employment Agreement between the Company and Windle B. Priem effective May 1, 1999.
- 10.22* Employment Agreement between the Company and Peter L. Dunn effective April 29, 1999.
- 10.23* Employment Agreement between the Company and Elizabeth S.C.S. Murray effective April 29, 1999.
- 10.24 License Agreement between Self Discovery Dynamics LLC and Korn/Ferry International Futurestep, Inc. dated May 15, 1998. Filed as Exhibit 10.18 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.

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Exhibit
Number

Description of Exhibit

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- 10.25 Trademark License and Promotion Agreement between Dow Jones & Company, the Company and Korn/Ferry International Futurestep, Inc. dated June 8, 1998. Filed as Exhibit 10.19 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.26 Credit Agreement dated as of February 12, 1999 by and among the Company, the lenders named therein, Mellon Bank, N.A. and Bank of America National Trust and Savings Association, as issuing banks, and Mellon Bank, N.A., as agent for the lenders. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 22, 1999, and incorporated herein by reference.
- 21.1 Subsidiaries of the Company. Filed as Exhibit 21.1 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 23.1 Consent of Arthur Andersen LLP
- 24.1 Power of Attorney (contained on the signature page)
- 27.1 Financial Data Schedule for Fiscal Year Ended April 30, 1999

</TABLE>

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*Management contract, compensatory plan or arrangement

(b) REPORTS ON FORM 8-K.

The Company filed a Form 8-K dated February 22, 1999 with respect to the effective commencement and completion date of the public offering and the effective date of the Company's Amended and Restated Articles of Incorporation and the Company's Amended and Restated Bylaws in addition to the new credit facility.

SIGNATURES

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

KORN/FERRY INTERNATIONAL

By: /s/ Elizabeth S.C.S. Murray

Elizabeth S.C.S. Murray
Chief Financial Officer,
Treasurer and Executive Vice
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned officers and directors of the Registrant hereby constitutes and appoints Peter L. Dunn and Elizabeth S.C.S. Murray, and each of them, as lawful attorney-in-fact and

agent for each of the undersigned (with full power of substitution and resubstitution, for and in the name, place and stead of each of the undersigned officers and directors), to sign and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, any and all amendments, supplements and exhibits to this report and any and all other documents in connection therewith, hereby granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in order to effectuate the same as fully and to all intents and purposes as each of the undersigned might or could do if personally present, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or any of their substitutes, may do or cause to be done by virtue hereof.

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

<TABLE>
<CAPTION>

Signature -----	Title -----	Date ----
<S> /s/ Richard M. Ferry ----- Richard M. Ferry	<C> Chair of the Board and Director	<C> July 23, 1999
/s/ Windle B. Priem ----- Windle B. Priem	Chief Executive Officer, President and Director (Principal Executive Officer)	July 23, 1999
/s/ Elizabeth S.C.S. Murray ----- Elizabeth S.C.S. Murray	Chief Financial Officer, Treasurer and Executive Vice President (Principal Financial Officer)	July 23, 1999
/s/ Donald E. Jordan ----- Donald E. Jordan	Vice President of Finance (Principal Accounting Officer)	July 23, 1999

</TABLE>

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<TABLE>
<CAPTION>

Signature -----	Title -----	Date ----
<S> /s/ Paul Buchanan-Barrow ----- Paul Buchanan-Barrow	<C> Director	<C> July 23, 1999
/s/ Frank V. Cahouet ----- Frank V. Cahouet	Director	July 23, 1999
/s/ Peter L. Dunn ----- Peter L. Dunn	Director	July 23, 1999
/s/ Timothy K. Friar ----- Timothy K. Friar	Director	July 23, 1999
/s/ Sakie Fukushima ----- Sakie Fukushima	Director	July 23, 1999
/s/ Scott E. Kingdom ----- Scott E. Kingdom	Director	July 23, 1999
/s/ Young Kuan-Sing ----- Young Kuan-Sing	Director	July 23, 1999
/s/ Charles D. Miller ----- Charles D. Miller	Director	July 23, 1999
/s/ Raimondo Nider ----- Raimondo Nider	Director	July 23, 1999

/s/ Manuel A. Papayanopoulos	Director	July 23, 1999
<hr/>		
Manuel A. Papayanopoulos		
/s/ Gerhard Schulmeyer	Director	July 23, 1999
<hr/>		
Gerhard Schulmeyer		
/s/ Michael A. Wellman	Director	July 23, 1999
<hr/>		
Michael A. Wellman		

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Consolidated Statements of Shareholders' Equity for the three years ended April 30, 1999.....	F-5
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of
Korn/Ferry International and Subsidiaries:

We have audited the accompanying consolidated balance sheet of KORN/FERRY INTERNATIONAL AND SUBSIDIARIES (the "Company"), a California corporation, as of April 30, 1999 and 1998, and the related consolidated statement of operations, shareholders' equity and cash flows for each of the three years in the period ended April 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KORN/FERRY INTERNATIONAL AND SUBSIDIARIES as of April 30, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 30, 1999, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Los Angeles, California
June 7, 1999

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(in thousands)

<TABLE>
<CAPTION>

	April 30,	
	1999	1998
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents.....	\$113,741	\$ 32,358
Marketable securities.....	21,839	--
Receivables due from clients, net of allowance for doubtful accounts of \$7,847 and \$5,390.....	63,139	57,754
Other receivables.....	3,337	3,501
Prepaid expenses.....	5,736	6,265
	-----	-----
Total current assets.....	207,792	99,878
	-----	-----
Property and equipment:		
Computer equipment and software.....	17,554	13,715
Furniture and fixtures.....	14,646	13,573
Leasehold improvements.....	11,785	9,713
Automobiles.....	1,716	1,679
	-----	-----
	45,701	38,680
Less: Accumulated depreciation and amortization.....	(24,591)	(17,583)
	-----	-----
Property and equipment, net.....	21,110	21,097
	-----	-----
Cash surrender value of company owned life insurance policies, net of loans.....	41,973	30,109
Marketable securities, guaranteed investment contracts and notes receivable.....	8,218	4,054
Deferred income taxes.....	18,182	16,545
Goodwill and other intangibles, net of accumulated amortization of \$5,351 and \$4,182.....	3,639	2,972
Other.....	3,210	1,716
	-----	-----
Total Assets.....	\$304,124	\$176,371
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable and current maturities of long-term debt.....	\$ 1,356	\$ 2,559
Accounts payable.....	10,384	3,651
Income taxes payable.....	2,323	6,903
Accrued liabilities:		
Compensation.....	35,212	26,100
Payroll taxes.....	20,546	14,821
Other accruals.....	21,910	19,271
	-----	-----
Total current liabilities.....	91,731	73,305
Deferred compensation.....	33,531	34,552
Long-term debt.....	2,360	6,151
Other.....	1,775	1,582
	-----	-----
Total liabilities.....	129,397	115,590
	-----	-----
Non-controlling shareholders' interests.....	2,041	2,027
	-----	-----
Mandatorily redeemable common and preferred stock:		
Preferred stock, no par value:		
Series A--Authorized 10 shares, 9 shares outstanding as of April 30, 1998, at redemption value.....	--	63
Series B--Authorized 150 shares, 121 shares outstanding as of April 30, 1998, at book value.....	--	1,353
Common stock, no par value--Authorized 150,000 shares, 22,282 shares outstanding as of April 30, 1998, at book value.....	--	62,110
Less: Notes receivable from shareholders.....	--	(7,365)
	-----	-----
Total mandatorily redeemable common and preferred stock.....	--	56,161
	-----	-----
Shareholders' equity:		
Common stock, no par value--Authorized 150,000 shares, 35,633 and 920 shares outstanding as of April 30, 1999 and 1998, respectively.....	253,021	--
Retained earnings (deficit).....	(66,426)	2,401
Accumulated other comprehensive income.....	(2,360)	192
	-----	-----
Shareholders' equity.....	184,235	2,593
Less: Notes receivable from shareholders.....	(11,549)	--
	-----	-----
Total shareholders' equity.....	172,686	2,593
	-----	-----

comprehensive income.....				1,109	(1,056)	53	1,109
Comprehensive Income....							\$ 7,236
Balance as of April 30, 1997.....	1	12	11,448	48,771	(4,081)	(53,528)	2,623
Purchase of Stock.....			(3,150)			2,916	(234)
Issuance of Stock.....			8,635			(8,635)	
Comprehensive Income:							
Net income.....				5,244	(5,005)	239	\$ 5,244
Foreign currency translation adjustments before tax.....				(1,461)	1,394	(67)	(1,461)
Income tax benefit related to other comprehensive income.....				700	(668)	32	700
Comprehensive Income....							\$ 4,483
Balance as of April 30, 1998.....	1	12	16,933	54,015	(4,842)	(63,526)	2,593
Purchase of Stock.....	(1)	(12)	(22,569)				(22,582)
Issuance of Stock.....			160,198				160,198
Initial public offering related charge.....			49,286				49,286
Release of book value restriction.....			49,173	(54,015)	4,842	63,526	63,526
Comprehensive Income:							
Net loss.....				(66,426)		(66,426)	\$ (66,426)
Foreign currency translation adjustments before tax.....				(4,069)		(4,069)	(4,069)
Income tax benefit related to other comprehensive income.....				1,709		1,709	1,709
Comprehensive loss.....							\$ (68,786)
Balance as of April 30, 1999.....	\$ --	\$ --	\$253,021	\$ (66,426)	\$ (2,360)	\$ --	\$184,235

</TABLE>

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Cash from operating activities:			
Net Income (loss).....	\$ (66,426)	\$ 5,244	\$ 8,999
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation.....	8,090	6,552	5,087
Amortization.....	1,169	1,165	424
Provision for doubtful accounts.....	6,128	2,427	2,196
Cash surrender value and benefits in excess of premiums paid.....	(5,399)	(1,767)	(1,601)
Total non-recurring initial public offering related charges.....	79,300	--	--
Other non-recurring non-cash charges.....	5,344	--	--
Change in other assets and liabilities, net of acquisitions:			
Deferred compensation.....	4,560	6,876	3,093
Receivables.....	(11,349)	(9,996)	(12,630)
Prepaid expenses.....	529	(507)	(1,174)
Income taxes payable.....	(6,217)	(3,143)	276

Accounts payable and accrued liabilities.....	23,249	9,678	6,036
Non-controlling shareholders' interests and other, net.....	(316)	1,953	(550)
	-----	-----	-----
Net cash provided by operating activities....	38,662	18,482	10,156
	-----	-----	-----
Cash from investing activities:			
Purchases of property and equipment.....	(8,102)	(9,903)	(8,483)
Purchases of other marketable securities.....	(30,057)	--	--
Business acquisitions, net of cash acquired.....	(1,323)	--	--
Premiums on life insurance, net of benefits received.....	(12,421)	(12,408)	(7,865)
Redemption of guaranteed investment contracts....	1,746	1,949	1,753
Sale of interest in affiliates.....	2,308	473	434
	-----	-----	-----
Net cash used in investing activities.....	(47,849)	(19,889)	(14,161)
	-----	-----	-----
Cash from financing activities:			
Increase (decrease) on bank borrowings.....	(5,000)	2,000	2,000
Payment of debt.....	(3,737)	(1,957)	(1,470)
Borrowings under life insurance policies.....	5,956	5,358	1,973
Purchase of common and preferred stock and payments on related notes.....	(20,968)	(2,761)	(3,674)
Issuance of common stock and receipts on shareholders' notes.....	141,779	6,588	5,597
IPO related non-recurring charges.....	(25,100)	--	--
	-----	-----	-----
Net cash provided by financing activities....	92,930	9,228	4,426
	-----	-----	-----
Effect of exchange rate changes on cash flows.....	(2,360)	(761)	(1,763)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	81,383	7,060	(1,342)
Cash and cash equivalents at beginning of the period.....	32,358	25,298	26,640
	-----	-----	-----
Cash and cash equivalents at end of the period....	\$113,741	\$32,358	\$25,298
	=====	=====	=====

</TABLE>

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

1. Organization and Summary of Significant Accounting Policies

Nature of Business

Korn/Ferry International and Subsidiaries is engaged in the business of providing executive recruitment, Internet-based middle management recruitment, through Futurestep, and consulting and related services globally on a retained basis.

Basis of Presentation

The consolidated financial statements include the accounts of Korn/Ferry International, all of its wholly owned domestic and international subsidiaries, and affiliated companies in which the Company has effective control (collectively, the "Company"). All material intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As a result, actual results could differ from these estimates.

Translation of Foreign Currencies

Generally, financial results of the Company's foreign subsidiaries are measured in their local currencies. Assets and liabilities are translated into U.S. dollars at the rates of exchange in effect at the end of each year and revenues and expenses are translated at average rates of exchange during the year. Resulting translation adjustments are reported as a component of comprehensive income.

Financial results of foreign subsidiaries in countries with highly inflationary economies are measured in U.S. dollars. The financial statements of these subsidiaries are translated using a combination of current and historical exchange rates and any translation adjustments are included in determining net income. Translation losses, included in general and administrative expenses, were \$349, \$511 and \$344 in fiscal 1999, 1998 and 1997, respectively.

Revenue Recognition

Substantially all professional fee revenues are derived from fees for professional services related to executive search, consulting and related services. Fee revenues are recognized as services are substantially rendered, generally over a ninety day period commencing in the month of initial acceptance of a search engagement. The Company generally bills clients in three monthly installments over this period. Reimbursable expenses include specifically identified and allocated costs related to professional services that are billed to clients.

Cash Flows

Cash equivalents consist of highly liquid investments with maturities of three months or less at the date of purchase.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (in thousands, except per share amounts)

Net cash from operating activities includes cash payments for interest of \$4,339, \$4,381 and \$3,594 in fiscal 1999, 1998 and 1997, respectively. Cash payments for income taxes, net of refunds, amounted to \$14,989, \$9,830 and \$6,770 in fiscal 1999, 1998 and 1997, respectively.

Marketable Securities

All marketable securities are accounted for under Statement of Financial Accounting Standard ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Management determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates this classification at each balance sheet date. The securities have original maturities ranging from August 1999 through October 2001 and are classified as held-to-maturity. Held-to-maturity securities are stated at cost, adjusted for amortization of premiums and discounts to maturity. At April 30, 1999, the estimated fair value of the investments approximated its amortized cost and, therefore, there were no significant unrealized gains or losses. Investments consisted of the following:

<TABLE>

<CAPTION>

	As of April 30, 1999		

	Current	Long-term	

	(in thousands)		

<S>	<C>	<C>	<C>
U.S. Treasury and Government Securities.....	\$13,939	\$ 496	
Certificate of deposits.....	3,996	--	
Commercial Paper.....	3,904	--	
Asset-backed securities.....	--	7,722	
	-----	-----	
Marketable securities.....	\$21,839	\$8,218	
	=====	=====	

</TABLE>

Fair Value of Financial Instruments

The carrying amount of cash, cash equivalents and accounts receivable approximates fair value due to the short maturity of these instruments. Guaranteed investment contracts, notes receivable, notes payable and long-term debt bear interest at rates that approximate the current market interest rates for similar instruments and, accordingly the carrying value approximates fair value.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to significant concentrations of credit risk consist principally of receivables due from

clients. Concentrations of credit risk with respect to receivables are limited due to the Company's large number of customers and their dispersion across many different industries and countries worldwide.

Property and Equipment

Leasehold improvements are amortized over the useful life of the asset, or the lease term, whichever is less, using the straight-line method. All other property and equipment is depreciated or amortized over the estimated useful lives of three to ten years, using the straight-line method.

Cash Surrender Value of Life Insurance

The increase in the cash surrender value ("CSV") of Company owned life insurance ("COLI") contracts in excess of insurance premiums paid is reported in compensation and benefits expense. (See Note 8).

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (in thousands, except per share amounts)

Goodwill and Other Intangibles

Goodwill represents the excess of the acquisition cost over the net assets acquired in business combinations and is amortized on a straight line basis over the estimated useful life, currently five to ten years. Other intangibles arising from business acquisitions include contractual obligations contingent upon future performance and are amortized on a straight line basis over the contractual period.

The Company re-evaluates goodwill and other intangibles based on undiscounted operating cash flows whenever significant events or changes occur which might impair recovery of recorded costs, and it writes down recorded costs of the assets to fair value (based on discounted cash flows or market values) when recorded costs, prior to impairment, are higher.

New Accounting Pronouncements

During 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and for Hedging Activities," which establishes new standards for reporting derivative and hedging information. The standard is effective for periods beginning after June 15, 2000 and will be adopted by the Company as of May 1, 2001. It is not expected that the adoption of this standard will have an impact on the consolidated financial statements nor require additional footnote disclosure since the Company does not currently utilize derivative instruments or participate in structured hedging activities.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 is effective for financial statements for years beginning after December 15, 1998 and will be adopted by the Company beginning in fiscal 2000. SOP 98-1 provides guidance over accounting for computer software developed or obtained for internal use including the requirement to capitalize specified costs and amortization of such costs. It is not expected that the adoption of this standard will have a material effect on the consolidated financial statements or the capitalization policy.

2. Initial Public Offering of Common Stock

In February 1999, the Company completed the initial public offering ("IPO") of an aggregate of 11.8 million shares of common stock at \$14.00 per share, of which 9,962 shares were sold by the Company and 1,788 shares were sold by selling shareholders, resulting in net proceeds (after deducting underwriting discounts and other expenses payable by the Company) of \$124.3 million to the Company and \$24.4 million to the selling shareholders. The Company's common stock is traded on the New York Stock Exchange under the symbol "KFY." The Company also received approximately \$3.0 million from the repayment by certain selling shareholders of loans from the Company to those selling shareholders.

The Company used \$14.4 million of the net proceeds to repay its term loan and all outstanding indebtedness under the Company's credit facilities, \$25.7 million to complete the redemption by the Company of certain shares of its capital stock, primarily shares owned by certain shareholders under the terms of a 1994 stock redemption agreement, \$1.4 million to redeem the outstanding shares of Series A and B preferred stock and \$4.3 million to pay existing obligations to former holders of phantom units and stock rights.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

The remaining proceeds will be used for possible future acquisitions, working capital and general corporate purposes, including the expansion of Futurestep, the Company's Internet-based search service, and continued development of technology, information systems and infrastructure. The Company has currently invested the remaining proceeds in short-term high grade commercial paper, bonds, and other securities.

3. Basic and Diluted Earning (Loss) Per Share

Basic earnings (loss) per common share ("basic EPS") was computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common and common equivalent share ("diluted EPS") was determined by dividing the net income (loss) by the weighted average number of shares of common stock outstanding and dilutive common equivalent shares. Following is a reconciliation of the numerator (income or loss) and denominator (shares) used in the computation of basic and diluted EPS:

<TABLE>

<CAPTION>

	Fiscal year ended April 30,								
	1999			1998			1997		
	Income (Loss)	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Basic EPS									
Income (loss) available to common shareholders.....	\$ (66,426)	28,086	\$ (2.37)	\$ 5,244	21,885	\$ 0.24	\$ 8,999	21,382	\$ 0.42
Effect of Dilutive Securities									
Shareholder common stock purchase commitments....					318			436	
Phantom stock units.....				161	1219		246	1242	
Stock appreciation rights.....				14	417		88	421	
Diluted EPS									
Income (loss) available to common shareholders plus assumed conversions.....	\$ (66,426)	28,086	\$ (2.37)	\$ 5,419	23,839	\$ 0.23	\$ 9,333	23,481	\$ 0.40

</TABLE>

The share amounts in the table above reflects a four to one stock split approved by the Board of Directors in July 1998. The Company filed an amendment to the existing Articles of Incorporation to increase the authorized capital stock and effect the four to one split of the Common Stock in February 1999. The financial statements have been retroactively restated for the effects of this transaction. The Company has 3,466 options outstanding at April 30, 1999 that are anti-dilutive and therefore, are excluded from the above reconciliation.

4. Stock Option Plans

In July 1998, the Company adopted the Performance Award Plan (the "Plan") to provide a means to attract, motivate, reward and retain talented and experienced officers, non-employee directors, other key employees and certain other eligible persons who may be granted awards from time to time by the Company's Board of Directors (the "Board") or, if authorized, the Compensation Committee, or, for non-employee directors, under a formula provided in the Plan. The maximum number of shares of Common Stock reserved for issuance is seven million, subject to adjustment for certain changes in the Company's capital structure and other extraordinary events. Shares subject to awards that are not paid for or exercised before they expire or are terminated are available for other grants under the Plan to the extent permitted by law. The Plan is not exclusive. The Board may grant stock and performance incentives or other compensation, in stock or cash, under other plans or authority.

Awards under the Plan may be in the form of nonqualified stock options, incentive stock options, stock appreciation rights ("SARs"), limited SARs, restricted stock, performance shares, stock bonuses, or cash bonuses based on performance. The maximum term of options, SARs and other rights to acquire Common Stock under the Plan is ten years after the initial date of award, subject to provisions for further deferred payment in certain circumstances. Awards may be granted individually or in combination with other awards. No incentive stock option may be granted at a price that is less than the fair market value of the Common Stock (110% of fair market value of the Common Stock for certain participants) on the date of grant. Nonqualified stock options and other awards may be granted at prices below the fair market value of the Common Stock on the date of grant. Restricted stock awards can be issued for nominal or the minimum lawful consideration. Typically, the participant may vote restricted stock, but any dividend on restricted shares will be held in escrow subject to forfeiture until the shares have vested. No more than 350 shares will be available for restricted stock awards, subject to exceptions for restricted stock awards based on past service, deferred compensation and performance awards. No awards other than stock options have been granted under the Plan in fiscal 1999.

The maximum number of shares subject to awards (either performance or otherwise) that may be granted to an individual in the aggregate in any one calendar year is 1,050. A non-employee director may not receive awards of more than 50 shares in the aggregate in any one calendar year. With respect to cash-based performance awards, no more than \$2.5 million per year, per performance cycle may be awarded to any one individual. No more than one performance cycle may begin in any one year with respect to cash-based performance awards.

Under the Plan, each director who is not an officer or employee (a "Non-Employee Director") is automatically granted a nonqualified stock option to purchase 2 shares of Common Stock when the person takes office and on the day of each annual shareholders meeting in each calendar year beginning in 1999, at an exercise price equal to the market price of the Common Stock at the close of trading on that date. Non-Employee Directors may also be granted discretionary awards. All automatically granted Non-Employee Director stock options will have a ten-year term and will be immediately exercisable. If a Non-Employee Director's services are terminated for any reason, any automatically granted stock options held by such Non-Employee Director that are exercisable will remain exercisable for twelve months after such termination of service or until the expiration of the option term, whichever occurs first. No options were granted to non-employee directors in fiscal 1999.

The Company issued 2,063 stock options to certain employees effective as of the initial public offering date. These options vest ratably over a three year period and have a seven year term. In April 1999, the Company granted, as performance awards, seven-year stock options for approximately 1,403 shares of Common Stock. Such options will vest in equal installments over five years. The weighted average fair value of options granted during fiscal 1999 is \$9.66 per share. The weighted average remaining contractual term of all outstanding options at April 30, 1999 was approximately 6.9 years. The exercise price per share of the initial public offering options grant and performance options grant was \$14.00 and \$13.43 per share, respectively. No options were exercisable as of April 30, 1999.

The Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations to account for its stock-based compensation arrangements. Under APB 25, no compensation expense is recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS No. 123") to be determined as if the Company had accounted for its employee stock options under the fair value method prescribed by SFAS No. 123. The weighted average fair value of options granted during fiscal 1999, estimated at the date of grant using a Black-Scholes option pricing model, was \$9.30 and \$10.20 for the initial public offering grant and performance award grant, respectively. The fair value of options granted in

volatility of 62.4% and expected option life ranging from seven to ten years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to compensation expense over the vesting period. If the Company had accounted for its employee stock options granted in fiscal 1999 under the fair value method prescribed by SFAS No. 123, the pro forma net loss and diluted loss per share would increase by \$15.7 million and \$0.55, respectively.

5. One-time non-recurring charges

At the completion of the public offering in February 1999, the Company recognized a non-recurring compensation and benefits expense of \$79.3 million, comprised of (a) \$49.3 million representing the difference between the issuance price of the shares issued by the Company in the period beginning twelve months before the initial filing date of the Registration Statement relating to the IPO and the fair market value of the shares at the date of issuance, (b) \$25.7 million from the completion of the redemption by the Company of certain shares of its capital stock, primarily the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement and (c) \$4.3 million from the payment of existing obligations to former holders of phantom units and stock appreciation rights.

Additionally, the Company recently completed an evaluation of its worldwide operations and revenues, compensation costs and other operating expenses for each of its offices and geographic locations. The Company conducted the evaluation in order to identify, and eventually eliminate, existing inefficiencies and excess costs and to better align and enhance the competitive position of the Company within each region. The Company assessed staff levels and office needs based on individual performance and the economic conditions and the outlook in each region. The Company identified approximately 50 employees that would be terminated and three underperforming European offices that will be downsized or relocated to more efficient premises. As a result of this analysis, a non-recurring charge to earnings of \$7.0 million for severance and benefit costs related to staff downsizing was recognized in fiscal 1999. This expense is comprised of a \$3.2 million non-cash charge to earnings related to the release of existing book value stock repurchase requirements for nine of the terminated employees and \$3.8 million for severance and benefit payments for the terminated employees, of which \$3.7 million was paid as of April 30, 1999. The Company also recognized a non-recurring charge of \$0.3 million, of which \$0.2 million was paid as of April 30, 1999, for lease renegotiation and other relocation costs in fiscal 1999. The Company does not expect any additional charge to earnings related to these items.

The Company also recognized a non-recurring charge of \$2.6 million in connection with the resignation of the former President and Chief Executive Officer. This charge is comprised of \$1.5 million for compensation and other amounts payable over the next seven months, of which \$0.8 million was paid as of April 30, 1999 and a \$1.1 million non-cash charge to earnings representing the difference between the then current book value and the appraised value of 165,168 common shares he retained subsequent to his resignation.

6. Shareholders Agreements and Supplemental Information Regarding Book Value Per Share

From fiscal 1991 to 1998, eligible executives of the Company had the opportunity to purchase shares of Common Stock at book value and were required to sell their shares of Common Stock to the Company at book value upon termination of their employment under stock purchase and repurchase agreements collectively referred to as the Equity Participation Program ("EPP"). Shares subject to book value repurchase agreements are classified as mandatorily redeemable common stock in the accompanying consolidated balance sheets. For purposes of EPP

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

purchases and sales, book value per share, adjusted for the 4-to-1 stock split, was \$2.79 and \$2.60 at April 30, 1998 and 1997, respectively. The EPP book value calculation excludes the effect of the Series A Preferred Stock and shareholder notes related to Common Stock purchases. On May 1, 1998, the Company issued 3,016 shares at the book value of \$2.79 per share.

The Board of Directors approved the Supplemental Equity Participation Program (the "Supplemental EPP") in July 1998, effective May 2, 1998, that provides for the issuance and repurchase of shares of Common Stock at fair value. The Company issued 110 shares of Common Stock at the fair market value of \$10.98 per share, appraised as of June 30, 1998. The Company ceased enrollment of executives in the Supplemental EPP as of August 17, 1998. In

November 1998, the Company adopted the Interim Equity Executive Participation Program (the "Interim EPP") in order to permit persons promoted to vice president and other persons hired as vice presidents of the Company between August 18, 1998 and December 30, 1998 to purchase shares of Common Stock at \$9.69 per share, the fair market value as of December 30, 1998. The Company issued 438 shares under the Interim EPP.

In fiscal 1999, the Company terminated its Phantom Stock Plan, established in 1988, and Stock Right Plan, established in 1992 ("these Plans"), in contemplation of the IPO. These Plans provided benefits, to certain key employees and other employees selected by a committee of the Board of Directors, substantially identical to ownership of the Company's Common Stock, excluding voting rights. Compensation expense, recognized based on the change if any in the book value of the Common Stock since the grant date, was \$279 and \$514 in fiscal 1998 and 1997 respectively.

Based on the book value of a share of Common Stock at April 30, 1998 of \$2.79, the participants in these plans could elect to receive a cash payment or shares of Common Stock in exchange for an aggregate of 276 phantom stock units and 114 stock rights outstanding as of June 30, 1998, the effective date of termination of these Plans. The company issued 1,551 shares of Common Stock in connection with the termination of these Plans to all but one participant and recognized a non-recurring compensation and benefits expense of \$12,700 at completion of the IPO, representing the excess of the fair market value over the book value of the shares issued in the conversion.

The repurchase agreements under the EPP, Supplemental EPP and Interim EPP were amended upon consummation of the IPO to permit employee shareholders to sell their shares in the public market, subject to a liquidity schedule that provides for increases over a four year period in the number of shares that can be sold. As a result, all remaining shares previously classified as mandatorily redeemable were reclassified to Common Stock. The Company repurchased a total of 2,646 shares in fiscal 1999 all at book value.

As of April 30, 1999 and 1998, notes receivable from shareholders for Common Stock purchases were \$10,679 and \$6,612, respectively. The Company issued Common Stock in exchange for notes receivable from shareholders of \$9,262, \$6,184 and \$4,305 in fiscal 1999, 1998 and 1997, respectively. The notes receivable are secured by the common stock purchased, bear interest at primarily 8% and require annual payments of principal and interest through 2004.

7. Employee Profit-Sharing and Benefit Plans

The Company has an Employee Tax Deferred Savings Plan that covers eligible employees in the United States. The Company's discretionary accrued contribution to this plan was \$2,622, \$2,400 and \$1,768 for fiscal 1999, 1998 and 1997, respectively. The Company's non-U.S. employees are covered by a variety of pension plans that are applicable to the countries in which they work. The contributions for these plans are determined in accordance with the legal requirements in each country and generally are based on the employees' annual compensation.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

8. Deferred Compensation and Life Insurance Contracts

The Company has established several deferred compensation plans for vice-presidents that provide defined benefit payments to participants based on the deferral of current compensation subject to vesting and retirement or termination provisions.

The Enhanced Wealth Accumulation Plan (EWAP) was established in fiscal 1994. Certain vice presidents elect to participate in a "deferral unit" that requires the contribution of current compensation for an eight year period in return for defined benefit payments from the Company over a fifteen year period generally at retirement at age 65 or later. Participants may acquire additional "deferral units" every five years.

The EWAP replaced the Wealth Accumulation Plan (WAP) in fiscal 1994 and executives who did not choose to roll over their WAP units into the EWAP continue to be covered under the earlier version in which participants generally vest and commence receipt of benefit payments at retirement at age 65.

The Company also maintains a Senior Executive Incentive Plan (SEIP) for participants elected by the Company's Board of Directors. Generally, to be eligible the vice president must be participating in the EWAP. Participation in the SEIP requires the vice president to contribute a portion of their

compensation during a four-year period, or in some cases make an after tax contribution, in return for a defined benefit paid by the Company generally over a fifteen year period at age 65, or retirement.

The Company's Worldwide Executive Benefit Plans (WEB) are designed to integrate with government sponsored benefits and provide a monthly benefit to vice presidents and shareholders upon retirement from the Company. Each year a plan participant accrues and is fully vested in one-twentieth of the targeted benefits expressed as a percentage set by the Company for that year. Upon retirement, a participant receives a monthly benefit payment equal to the sum of the percentages accrued over such participant's term of employment, up to a maximum of 20 years, multiplied by the participant's highest average monthly salary during any 36 consecutive months in the final 72 months of active full-time employment.

In 1998, certain employees elected to defer a portion of their compensation, amounting to approximately \$2.5 million, into a new deferred compensation plan established by the Company. This plan was terminated in fiscal 1999, and as required by the agreement, the employees received their deferred compensation plus interest at the Company's average monthly bank borrowing rate, ranging from 6.4% to 8% at April 30, 1999 and 1998, respectively.

Certain current and former employees also have individual deferred compensation arrangements with the Company which provide for payment of defined amounts over certain periods commencing at specified dates or events.

For financial accounting purposes, the Company estimates the present value of the future benefits payable under these plans as of the estimated payment commencement date. The Company also estimates the remaining number of years a participant will be employed by the Company. Then, each year during the period of estimated employment, the Company accrues a liability and recognizes expense for a portion of the future benefit using the "benefit/years of service" attribution method for the SEIP, WAP and EWAP plans and the "projected unit credit" method for the WEB plan.

In calculating the accrual for future benefit payments, management has made assumptions regarding employee turnover, participant vesting and the discount rate. Management periodically reevaluates all assumptions. If assumptions change in future reporting periods, the changes may impact the measurement and recognition of benefit liabilities and related compensation expense.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

As of April 30, 1999 and 1998, the Company had unrecognized losses related to these deferred compensation plans of \$7,728 and \$7,747 due to changes in assumptions of the discount rate used for calculating the accruals for future benefits. The Company amortizes unrecognized losses over the average remaining service period of active participants. The discount rate was 7.5% in fiscal 1999 and 1998.

Following is a reconciliation of the benefit obligation for the Company's deferred compensation plans:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,	
	1999	1998
<S>	<C>	<C>
Benefit obligation at beginning of year.....	\$35,362	\$30,149
Service cost.....	3,498	1,693
Interest cost.....	1,650	1,622
Plan participants' contributions.....	3,233	5,981
Recognized loss due to change in assumption.....	555	624
Benefits paid.....	(9,712)	(4,707)
	-----	-----
Benefit obligation at end of fiscal year.....	34,586	35,362
Less: current portion of benefit obligation.....	(1,055)	(810)
	-----	-----
Long-term benefit obligation at end of year.....	\$33,531	\$34,552
	=====	=====

</TABLE>

The Company has purchased COLI contracts insuring participants and former participants. The gross CSV of these contracts of \$84,628 and \$67,747 is

offset by outstanding policy loans of \$42,655 and \$37,638, on the accompanying consolidated balance sheets as of April 30, 1999 and 1998, respectively.

Total death benefits payable under COLI contracts were \$343,973 and \$285,495 at April 30, 1999 and 1998, respectively. Management intends to use the future death benefits from these insurance contracts to fund the deferred compensation arrangements; however, there may not be a direct correlation between the timing of the future cash receipts and disbursements under these arrangements. In addition, certain future death benefits are restricted for the purchase of certain shares of Common Stock, if any, upon the death of a shareholder. As of April 30, 1999, COLI contracts with a net cash surrender value of \$35,430 and death benefits payable of \$190,626 were held in trust for these purposes.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

9. Notes Payable and Long-Term Debt

At April 30, 1999, the Company maintained a \$50.0 million unsecured bank revolving line of credit facility. Borrowings on the line of credit bear interest at various rates based on either a LIBOR index plus 1.4% or the bank's prime lending rate, which were 6.37% and 7.75%, respectively, at April 30, 1999. There was no outstanding balance under the revolving line of credit as of April 30, 1999.

The Company's long-term debt consists of the following:

<TABLE>
<CAPTION>

	As of April 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
8% variable rate unsecured term loan due to bank, principal and interest payable quarterly.....	\$ --	\$ 5,000
Unsecured subordinated notes payable to shareholders due through 2004, bearing interest at various rates up to 8.75%.....	3,716	3,710
	-----	-----
Total debt.....	3,716	8,710
Less: current maturities of long-term debt.....	(1,356)	(2,559)
	-----	-----
Long-term debt.....	\$ 2,360	\$ 6,151
	=====	=====

</TABLE>

The Company issued notes payable to shareholders of \$1,620, \$389 and \$1,708 in fiscal 1999, 1998 and 1997, respectively, for the purchase of Common Stock.

Annual maturities of long-term debt for the five fiscal years subsequent to April 30, 1999 are: \$1,356 in 2000, \$949 in 2001, \$798 in 2002, \$477 in 2003 and \$136 in 2004.

The Company also has outstanding borrowings against the CSV of COLI contracts of \$42,655 and \$37,638 at April 30, 1999 and 1998, respectively. These borrowings are secured by the CSV, principal payments are not scheduled and interest is payable at least annually, at various variable rates. (See Note 8).

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

10. Income Taxes

The provision for income taxes is based on reported income before income taxes. Deferred income tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes, as measured by applying the currently enacted tax laws.

The provision (benefit) for domestic and foreign income taxes is comprised of the following components:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Current income taxes:			
Federal.....	\$ 1,474	\$ 2,953	\$ 2,602
State.....	407	1,022	991
Total.....	1,881	3,975	3,593
Deferred income taxes:			
Federal.....	(2,248)	(3,458)	(2,133)
State.....	(750)	(1,154)	(713)
Total.....	(2,998)	(4,612)	(2,846)
Foreign income taxes.....	10,143	7,324	5,911
Provision for income taxes.....	\$ 9,026	\$ 6,687	\$ 6,658

</TABLE>

The domestic and foreign components of income (loss) from continuing operations before domestic and foreign income and other taxes were as follows:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Domestic.....	\$ (80,544)	\$ (4,635)	\$ (2,534)
Foreign.....	25,704	18,591	19,779
Income (loss) from operations.....	\$ (54,840)	\$ 13,956	\$ 17,245

</TABLE>

The income tax provision stated as a percentage of pretax income, excluding \$76,331 of non-recurring charges in fiscal 1999 that are not tax deductible, was different than the amount computed using the U.S. statutory federal income tax rate for the reasons set forth in the following table:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
U.S. federal statutory tax rate.....	35.0%	35.0%	35.0%
Foreign source dividend income.....	12.7	30.6	12.7
Foreign income tax credits utilized.....	(8.5)	(21.5)	(11.6)
Income subject to higher (lower) foreign tax rates.....	5.3	5.9	(5.9)
COLI CSV increase, net.....	(7.0)	(5.4)	0.8
Other.....	4.5	3.3	7.6
Effective tax rate.....	42.0%	47.9%	38.6%

</TABLE>

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

The significant components of deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	As of April 30,	
	1999	1998
<S>	<C>	<C>

Deferred income tax assets (liabilities):		
Deferred compensation.....	\$14,031	\$14,652
Accrued operating expenses.....	5,430	3,172
Other accrued liabilities.....	(1,686)	(1,360)
Property and equipment.....	832	419
Other.....	(425)	(338)
	-----	-----
Deferred income taxes.....	\$18,182	\$16,545
	=====	=====

</TABLE>

Realization of the tax asset is dependent on the Company generating sufficient taxable income in future years as the deferred tax charges become currently deductible for tax reporting purposes. Management believes that all of the deferred tax asset will be realizable. However, the amount of the deferred tax asset considered realizable could be reduced if the estimates of amounts and/or the timing of future taxable income are revised.

11. Business Segments

The Company operates in one industry segment, retained executive recruitment, on a global basis. For purposes of the geographic information below, Mexico is included in Latin America. In January 1998, the Company formed Futurestep, as a 93 percent owned subsidiary included in North America, to provide Internet-based retained recruitment services for middle management positions. Identifiable assets of Futurestep are not material. Futurestep reported net revenues and operating losses of \$4,365 and \$12,578 in fiscal 1999 and operating losses of \$824 in fiscal 1998. A summary of the company's operations by geographic area follows:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Net revenues:			
North America.....	\$192,848	\$157,044	\$130,437
Europe.....	99,871	79,731	72,314
Asia/Pacific.....	33,055	32,887	32,544
Latin America.....	30,756	30,893	25,129
	-----	-----	-----
Total net revenues.....	\$356,530	\$300,555	\$260,424
	=====	=====	=====

</TABLE>

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Operating profit (loss):			
North America.....	\$(66,693)	\$ 10,660	\$ 13,711
Europe.....	4,918	382	(935)
Asia/Pacific.....	2,480	701	3,585
Latin America.....	8,918	6,447	4,204
	-----	-----	-----
Total operating profit (loss).....	(50,377)	18,190	20,565
Interest expense.....	4,463	4,234	3,320
	-----	-----	-----
Income (loss) before income taxes and non- controlling shareholders' interest.....	\$(54,840)	\$ 13,956	\$ 17,245
	=====	=====	=====

<CAPTION>

	As of April 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Identifiable assets:			
North America(1).....	\$211,901	\$100,842	\$ 70,055
Europe.....	54,910	40,600	42,300

Asia/Pacific.....	20,209	18,529	25,444
Latin America.....	17,104	16,400	10,606
	-----	-----	-----
Total.....	\$304,124	\$176,371	\$148,405
	=====	=====	=====

</TABLE>

(1) North America includes Corporate identifiable assets of \$144,771, \$34,162 and \$27,557 in fiscal 1999, 1998 and 1997, respectively.

The Company's clients were not concentrated in any specific geographic region and no single client accounted for a significant amount of the Company's revenues during fiscal 1999, 1998 or 1997.

12. Acquisitions and Divestitures

Effective in May 1998, the Company acquired Didier, Vuchot & Associates in France for approximately \$6 million in cash, notes and mandatorily redeemable stock of a subsidiary of the Company. The stock of the subsidiary is exchangeable for Common Stock upon the achievement of certain performance targets over a four year period from the acquisition date. Stock not exchanged is mandatorily redeemable for a nominal amount at the end of the period. The acquisition was accounted for as a purchase. The fair market value of the net assets acquired was approximately \$1.5 million. The excess of the cash and notes over this amount is related to mandatorily redeemable stock of the subsidiary, is contingent upon future performance and will be recognized as compensation expense as earned.

Effective June 1998, the Company acquired all of the outstanding shares of Ray and Berndtson SA in Switzerland for \$3.6 million in cash, notes and Common Stock of the Company. The acquisition was accounted for as a purchase. The fair market value of the net assets acquired was approximately \$594. The excess of cash and notes over this amount, approximately \$1.4 million, related to employment contracts that are contingent upon future performance and will be recognized as compensation expense as earned. The purchase price in excess of these amounts has been allocated to goodwill.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

Effective February 1996, the Company divested its 47% interest in Strategic Compensation Associates for a cash payment of \$357 and notes receivable of \$3,215. Included in other income in fiscal 1996, is a gain of \$516 recognized on this transaction. The outstanding balance of notes receivable at April 30, 1998 and 1997 was \$2,308 and \$2,781, respectively. The note was paid in full in December 1998.

13. Commitments and Contingencies

The Company leases office premises and certain office equipment under leases expiring at various dates through 2010. Total rental expense for fiscal years 1999, 1998 and 1997 amounted to \$13,026, \$12,948 and \$11,686, respectively. At April 30, 1999, minimum future commitments under noncancelable operating leases with lease terms in excess of one year were payable as follows: \$11,320 in 2000, \$10,927 in 2001, \$9,328 in 2002, \$6,567 in 2003, \$13,148 in 2004 and \$6,951 thereafter. As of April 30, 1999, the Company has outstanding standby letters of credit of \$754 in connection with office leases.

In June 1998, the Company and Futurestep entered into a three-year contract for an exclusive alliance with The Wall Street Journal, which provides the Company with reduced advertising rates, requires the purchase by Futurestep of a minimum amount of print and on-line advertising and permits the use of The Wall Street Journal name in connection with promotion of the Futurestep service. The Company and Futurestep have agreed not to promote competing services during the initial term of the contract. All costs related to the contract are expensed as incurred. The contract requires the Company and Futurestep to purchase from The Wall Street Journal a minimum of \$3.5 million, \$4.0 million and \$2.5 million of print and on-line advertising in the first, second and third year of the contract, respectively. In fiscal 1999, the Company and Futurestep purchased approximately \$3.0 million of advertising. During renewal periods, the Company and Futurestep would be obligated to pay The Wall Street Journal a minimum annual payment amount for advertising equal to the immediately preceding year amount adjusted for inflation.

The contract with The Wall Street Journal has an initial term through June 2001 with options for renewal and is the first of its kind in the executive search industry. Futurestep may terminate the contract at any time if (a) the Company or Futurestep breach a material provision of the contract, (b) there is an effective change in control of the Company or Futurestep (other than

pursuant to a registered offering) or (c) any party to the contract is adjudged to be insolvent or bankrupt. If the contract terminates for any of these reasons during the initial term, the Company and Futurestep would be obligated to pay any unpaid remainder of the annual minimum payment amount for the year in which termination occurs plus an additional \$2.5 million. If The Wall Street Journal terminates the contract for the reasons cited above during a renewal term, then the Company and Futurestep would be obligated to pay any unpaid remainder of the annual minimum payment amount plus an additional \$1.0 million.

The Company has a policy of requiring all its vice presidents to enter into a standard form of employment agreement which provides for an annual base salary and discretionary and incentive bonus payments. The Company also requires its vice presidents to agree in their employment contracts not to compete with the Company, both during the term of their employment with the Company, and also for a period of one to two years after their employment with the Company ends. Furthermore, for a period of two years after their employment with the Company, former vice presidents are prohibited from soliciting employees of the Company for employment outside the Company.

Effective April and May 1999, the Company entered into employment agreements with three executive officers for an initial term of three years that provide certain benefits if these executives are terminated or resign under certain limited circumstances. The maximum amount payable under these agreements is \$5.7 million and \$8.5 million prior to and following a change in control, respectively. In addition, all outstanding options will immediately vest and remain exercisable for periods ranging from three months to their original expiration date following termination of employment.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(in thousands, except per share amounts)

In fiscal 1999, the Company completed an inventory and Year 2000 assessment of its principal computer systems, network elements, software applications and other business systems. The Company incurred approximately \$0.3 million in fiscal 1999 to resolve Year 2000 issues and expects to incur approximately \$0.2 million to \$0.3 million in fiscal 2000. The expenses to be incurred on the Year 2000 issues are being funded through operating cash flows. The Company estimates full compliance by October 31, 1999. The costs relating to the Year 2000 issues and the date on which the Company believes it will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third-party modification plans and other factors. Actual results could differ materially from those anticipated.

Subsequent to fiscal 1999, the Company entered into agreements with two vendors to purchase and implement an Enterprise Resource Planning system for internal use. The estimated total amount committed under this agreement for the next two fiscal years is \$11.0 million.

From time to time the Company has been and is involved in litigation incidental to its business. The Company is currently not a party to any litigation, which if resolved adversely against the Company, would in the opinion of the Company, have a material adverse effect on the Company's business, financial position or results of operations.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of
Korn/Ferry International and Subsidiaries:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Korn/Ferry International and subsidiaries included in this Form 10-K report and have issued our report thereon dated June 7, 1999. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule II--Korn/Ferry International Valuation and Qualifying Accounts is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

SCHEDULE II

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

	Additions				Balance at End of Year
	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for Doubtful Accounts					
Year Ended April 30, 1999.....	\$5,390	\$6,128	\$ --	\$3,671	\$7,847
Year Ended April 30, 1998.....	3,846	2,427	--	883	5,390
Year Ended April 30, 1997.....	3,341	2,196	--	1,691	3,846

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit Number	Description of Exhibit
<C>	<S>
3.1	Amended and Restated Articles of Incorporation of the Company. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 22, 1999, and incorporated herein by reference.
3.2	Amended and Restated Bylaws of the Company. Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated February 22, 1999, and incorporated herein by reference.
4.1	Specimen Common Stock certificate. Filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.1*	Form of Indemnification Agreement between the Company and each of its executive officers and directors. Filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.2*	Performance Award Plan. Filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.3*	Form of U.S. and International Worldwide Executive Benefit Retirement Plan. Filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.4*	Form of U.S. and International Worldwide Executive Benefit Life Insurance Plan. Filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.5*	Worldwide Executive Benefit Disability Plan (in the form of Long-Term Disability Insurance Policy). Filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.6*	Form of U.S. and International Enhanced Executive Benefit and Wealth Accumulation Plan. Filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.7*	Form of U.S. and International Senior Executive Incentive Plan. Filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.

- 10.8* Executive Salary Continuation Plan. Filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.9* Form of Amended and Restated Stock Repurchase Agreement. Filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.10* Form of Standard Employment Agreement. Filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.11* Form of Deferred Compensation Election Form for Fiscal 1998. Filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.12* Stock Purchase Agreement between the Company, Man Jit Singh and Korn/Ferry International Futurestep, Inc. dated as of December 1, 1997.
- 10.13* Shareholders Agreement between the Company, Man Jit Singh and Korn/Ferry International Futurestep, Inc. dated as of December 1, 1997.
- 10.14* Employment Agreement between Man Jit Singh and Korn/Ferry International Futurestep, Inc. dated December 1, 1997. Filed as Exhibit 10.15 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.

</TABLE>

<TABLE>

<CAPTION>

Exhibit Number -----	Description of Exhibit -----
<C>	<S>
10.15*	KFI/Singh Agreement between the Company and Man Jit Singh dated December 1, 1997. Filed as Exhibit 10.16 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.16*	Amended and Restated Stock Repurchase Agreement between the Company and Man Jit Singh dated as of January 15, 1999.
10.17*	Stock Purchase Agreement between the Company, Richard M. Ferry, Henry B. Turner and Peter W. Mullin (as trustees of the Richard M. Ferry and Maude M. Ferry 1972 Children's Trust), the California Community Foundation and Richard M. Ferry Co-trustees, and the California Community Foundation dated June 2, 1995. Filed as Exhibit 10.20 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.17A*	Form of First Amendment to Stock Purchase Agreement between the Company, Richard M. Ferry, Henry B. Turner and Peter W. Mullin (as trustees of the Richard M. Ferry and Maude M. Ferry 1972 Children's Trust), the California Community Foundation and Richard M. Ferry Co-trustees, and the California Community Foundation dated as of April 25, 1999.
10.18*	Form of U.S. and Foreign Executive Participation Program. Filed as Exhibit 10.27 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.19*	General Release and Settlement Agreement between the Company and Michael D. Boxberger dated December 3, 1998. Filed as Exhibit 10.32 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.20*	Additional Redemption Agreement between the Company and Richard M. Ferry dated February 5, 1999. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 22, 1999, and incorporated herein by reference.
10.21*	Employment Agreement between the Company and Windle B. Priem effective May 1, 1999.
10.22*	Employment Agreement between the Company and Peter L. Dunn effective April 29, 1999.

- 10.23* Employment Agreement between the Company and Elizabeth S.C.S. Murray effective April 29, 1999.
- 10.24 License Agreement between Self Discovery Dynamics LLC and Korn/Ferry International Futurestep, Inc. dated May 15, 1998. Filed as Exhibit 10.18 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.25 Trademark License and Promotion Agreement between Dow Jones & Company, the Company and Korn/Ferry International Futurestep, Inc. dated June 8, 1998. Filed as Exhibit 10.19 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.26 Credit Agreement dated as of February 12, 1999 by and among the Company, the lenders named therein, Mellon Bank, N.A. and Bank of America National Trust and Savings Association, as issuing banks, and Mellon Bank, N.A., as agent for the lenders. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 22, 1999, and incorporated herein by reference.
- 21.1 Subsidiaries of the Company. Filed as Exhibit 21.1 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 23.1 Consent of Arthur Andersen LLP
- 24.1 Power of Attorney (contained on the signature page)
- 27.1 Financial Data Schedule for Fiscal Year Ended April 30, 1999

</TABLE>

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*Management contract, compensatory plan or arrangement

KORN/FERRY INTERNATIONAL FUTURESTEP, INC.,
A Delaware corporation

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), is dated as of December 1, 1997 ("Agreement Date"), by and among KORN/FERRY INTERNATIONAL, a California corporation ("KFI"), MAN JIT SINGH, an individual ("Singh"), and KORN/FERRY INTERNATIONAL FUTURESTEP, INC., a Delaware corporation ("Company").

ARTICLE 1.

PREAMBLE

1.1 The primary business purpose of the Company is to create, establish and maintain a business providing executive search and ancillary services to candidates and client companies on-line through the medium of the Internet (the "Business"). It is the intention of the Shareholders that the Company be a subsidiary of KFI. The Certificate of Incorporation, as filed with the Delaware Secretary of State, and the By-Laws which the Shareholders intend to adopt for the Company, are annexed hereto as Exhibits A and B, respectively.

1.2 The purpose of this Agreement is to set forth the amount, terms and conditions under which the Shareholders will purchase shares of the Company's voting common stock, and the nature and terms and conditions under which the Shareholders will contribute other assets and services to the Company.

1.3 Concurrently herewith, the Shareholders and the Company are entering into a certain Shareholders Agreement of even date (the "Shareholders Agreement"), pursuant to which the Shareholders and the Company have agreed upon matters relating to the management, control and operation of the Company, and restrictions upon the transfer of shares of the capital stock of the Company.

1.4 Concurrently herewith, KFI and the Company are entering into a certain License Agreement of even date, pursuant to which, among other things, KFI will license to the Company the use of its name in connection with the Business (the "License Agreement").

1.5 Concurrently herewith, the Company and Singh are entering into a certain Employment Agreement of even date, pursuant to which, among other things, Singh is employed as the President and Chief Executive Officer of the Company, for the term and consideration, and subject to the conditions, set forth therein (the "Singh Employment Agreement").

1.6 Concurrently herewith, KFI and Singh are entering into a certain Agreement of even date

(the "KFI/Singh Agreement") and a certain Stock Repurchase Agreement of even date (the "KFI Stock Repurchase Agreement"), pursuant to which, among other things, Singh is admitted as a shareholder of KFI, subject to the terms and conditions set forth therein.

1.7 The Shareholders intend that the Shareholders Agreement, the License Agreement, the Singh Employment Agreement, the KFI/Singh Agreement, and the KFI Stock Repurchase Agreement, be executed and delivered concurrently with the execution and delivery of this Agreement.

1.8 Unless otherwise defined herein, all capitalized terms used in this Agreement, shall have the meanings set forth in the Appendix annexed hereto.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE 2.

INITIAL CAPITALIZATION

2.1 Purchase of Initial Shares. Concurrently herewith, each

Shareholder shall purchase the following number of shares of the voting common stock of the Company for the cash consideration indicated, which when issued shall constitute "Shares" within the meaning of this Agreement and the

Shareholders Agreement:

<TABLE>
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Name of Shareholder	No. of Shares	Cash Purchase Price	
		Per Share	Total
<S>	<C>	<C>	<C>
KFI	1,461,112	\$.025	\$ 36,527.80
Singh	950,000	\$.025	\$ 23,750.00
Totals	2,411,112		\$ 60,277.80

Name of Shareholder	No. of Shares	Cash Purchase Price	
		Per Share	Total
KFI	7,853,888	\$.25	\$1,963,472.00
Totals	7,853,888	\$.25	\$1,963,472.00

</TABLE>

2.2 Payment of Purchase Price and Issuance of Stock Certificates. Each

Shareholder shall pay to the Company the Total Cash Purchase Price for his or its Shares within one (1) business day after the Agreement Date by check or by wire transfer of immediately available funds. Upon receipt of such funds, certificates evidencing the Shares so purchased shall be issued and delivered to the applicable Shareholder.

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ARTICLE 3.

SECOND ROUND FINANCING AND SUBSEQUENT OFFERINGS

3.1 Purchase of Shares. At the times specified in Section 3.2 below, KFI

hereby agrees to purchase the following additional number of shares of voting common stock ("Additional Shares") of the Company for the cash consideration specified, which when issued will constitute "Shares" within the meaning of this Agreement and the Shareholders Agreement:

Name of Shareholder	No. of Shares	Cash Purchase Price	
		Per Share	Total
KFI	2,600,000	\$0.50	\$1,300,000

3.2 Timing of Purchase of Additional Shares. It is anticipated that the

Additional Shares required to be purchased by KFI as set forth in Section 3.1 above will be purchased in increments during calendar year 1998, as additional cash capital is needed by the Company. From time to time hereafter, the Board of Directors of the Company shall determine the amount and timing of the capital needed by the Company from the sale of these additional Shares. When such a determination is made by the Board of Directors of the Company, the Company shall give KFI at least thirty (30) days prior written notice specifying the amount of capital needed ("Capital Call Amount") and the date on or before which such capital must be funded (the "Capital Call Date"). Subject to the provisions of Sections 3.4 below, KFI shall fund 100% of the Capital Call Amount specified in the notice from the Company on or before the Capital Call Date, and concurrently therewith, KFI shall be issued one (1) share of the voting common stock of the Company for each \$0.50 so funded.

3.3 Right of KFI to Purchase Other Shares. The number of shares of the

issued and outstanding voting common stock of the Company owned from time to time after the issuance of the Additional Shares by KFI, its subsidiaries, employees, shareholders, partners, and trusts and other entities formed by KFI for the purpose of holding shares of the capital stock of the Company, expressed as a percentage of the total issued and outstanding voting common stock of the Company, shall be referred to herein as the "KFI Percentage." It is the intention of the parties hereto that if and when the Company sells other shares of its voting common stock in addition to the Additional Shares (the "Other Shares") in transactions that do not involve licensing, promotion or other agreements with the purchaser in addition to the purchase of the Other Shares and which do not constitute public offerings of such Other Shares ("Subsequent Offerings"), KFI shall have the right (but not the obligation) to maintain its then KFI Percentage with respect to the total issued and outstanding shares of the voting common stock of the Company. Accordingly, KFI shall have the right (but not the obligation) to purchase that number of shares of the voting common stock being offered in the Subsequent Offerings which, after giving effect to the issuance of all shares then being offered and sold by the Company at that

time, will result in KFI's percentage ownership of the then issued and outstanding voting common stock of the Company being equal to (or if KFI elects to purchase less, less than) the KFI Percentage immediately prior to the issuance of such Other Shares in the Subsequent

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Offerings. In order to exercise this right, KFI must give written notice to the Company of its intention to exercise such right, specifying the number of shares it intends to purchase, sufficiently in advance of the date scheduled for the consummation of the sale of the Other Shares being offered in the Subsequent Offerings so that the sale of such Other Shares is not delayed beyond such scheduled date. If KFI exercises such right, it shall thereupon become obligated to consummate the purchase of the Other Shares it has elected to purchase for the same price, on the same terms and conditions, and at the same time as the Other Shares being offered in the Subsequent Offerings are to be sold. The Company shall give KFI prompt written notice of such Subsequent Offerings sufficiently in advance of the date scheduled for the consummation of the sale of the Other Shares.

3.4 Right to Designate Purchasers. KFI shall have the right to assign its

right to purchase some or all of the Additional Shares and the Other Shares under this Article 3 to another Person or otherwise designate other Persons to purchase some or all of the Additional Shares or Other Shares ("Designated Purchaser") ; provided and on condition that: (a) no such Designated Purchaser constitutes a "Non-Permitted Transferee" within the meaning of the Shareholders Agreement; (b) each such Designated Purchaser executes a document, in form and substance satisfactory to the Company and its counsel, pursuant to which such Designated Purchaser agrees to be bound by the provisions of this Agreement and the Shareholders Agreement, agrees to become a "Shareholder" hereunder and thereunder, and agrees to receive and hold all such Additional Shares or Other Shares subject to the restrictions, terms and conditions of this Agreement and the Shareholders Agreement; and (c) no such assignment or designation by KFI shall relieve KFI from its obligations under this Article 3 to purchase such Shares, at the times and for the purchase price and on the other terms and conditions set forth herein. The right afforded to KFI under this Section 3.4 may, subject to compliance with applicable securities laws, be effected by KFI first acquiring such Additional Shares or Other Shares from the Company and thereafter transferring such Additional Shares or Other Shares to the Designated Purchasers.

ARTICLE 4.

RESTRICTIONS ON TRANSFER

4.1 Restrictions on Transferability. The Shares shall not be transferable

except upon the conditions specified in Section 4.2 below, which conditions are intended to insure compliance with the provisions of the Securities Act of 1933, as amended (the "Securities Act"). Each Shareholder will cause any proposed transferee of the Shares to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Article 4.

4.2 Legends on Stock Certificates. Each stock certificate evidencing

Shares purchased pursuant to this Agreement and any other securities issued in respect of such Shares upon or in connection with any Reorganization Transaction (collectively, the "Restrictive Securities") shall (unless otherwise permitted by the provisions of Section 4.3 below) bear the following legend or a legend substantially similar to the following legend:

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"THE SECURITIES EVIDENCED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSE ONLY AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS OF SUCH ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS. AT THE REQUEST OF THE COMPANY, SUCH COMPLIANCE SHALL BE EVIDENCED BY AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, FROM COUNSEL FOR THE TRANSFEROR (WHO IS REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL), TO THE EFFECT THAT THE SECURITIES PROPOSED TO BE TRANSFERRED MAY BE TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION AND QUALIFICATION REQUIREMENTS OF FEDERAL AND APPLICABLE STATE SECURITIES LAWS, IN RELIANCE UPON AN APPLICABLE EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION REQUIREMENTS."

4.3 Removal of Securities Act Legend. The legend required under Section

4.2 above on any stock certificate evidencing the Shares may be removed or not required if (a) such Shares have been registered under the Securities Act or (b) the Company receives an unqualified written opinion of counsel addressed to the

Company, in form and substance reasonably satisfactory to the Company and its counsel (from counsel who shall be reasonably satisfactory to the Company and its counsel) to the effect that the proposed Transfer of the Restricted Securities may be effected without registration under the Securities Act or any applicable state securities laws, or (c) the Company receives a "no-action" letter from the Securities and Exchange Commission (and any necessary state securities administrator) to the effect that the distribution of such securities without registration under the Securities Act will not result in a recommendation by the Staff of the Commission (or such administrators) that action be taken with respect thereto.

4.4 Other Restrictions on Transfer. The Shares shall also be subject to _____ the restrictions on transfer and other provisions of the Shareholders Agreement.

4.5 Investment Representations and Warranties. Each Shareholder hereby _____ represents and warrants as indicated below:

(a) Each individual Shareholder has reviewed, completed and executed Schedule 1 hereto which is incorporated herein and made a part hereof by this reference, and the information provided to the Company in such Schedule 1 is complete and accurate.

(b) By reason of its, his or her business or financial experience, each such Shareholder has such knowledge and experience in financial and business matters that such Shareholder is capable of evaluating the merits and risks of an investment in the Company and of

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making an informed investment decision with respect thereto, and has the capacity to protect its, his or her interests in connection with its, his or her purchase of the Shares.

(c) Each Shareholder has adequate means of providing for current needs and personal contingencies, has no need for liquidity in the investment, and is able to bear the economic risk of an investment in the Company of the size contemplated.

(d) Each Shareholder will purchase his or its Shares for his or its own account and for investment purposes only, and such Shareholder is not purchasing the Shares with a view to or for sale in connection with any distribution, resale or disposition of such Shares.

(e) The information provided in this Section (including without limitation the information set forth in Schedule 1 hereto) may be relied upon in determining whether the offering in which each such Shareholder proposes to participate is exempt from registration under the Securities Act, and applicable state securities laws and the rules promulgated thereunder.

(f) Each Shareholder will notify the Company immediately of any material changes to the information given by such Shareholder in this Section.

(g) Each Shareholder such has a high degree of familiarity with the business and operations of the Company and understands and has evaluated the merits and risks inherent in any investment in the Shares.

(h) Each Shareholder is relying solely upon his or its own knowledge of the Company and its prospects for the purpose of making his decision to purchase the Shares, and understands that no person has been authorized in connection with this offering to make any representations, and any representations given or made, must not be relied upon as having been authorized by the Company.

4.6 Acknowledgments and Covenants. Each Shareholder acknowledges and _____ agrees as follows:

(a) The Company has made available to each Shareholder the opportunity to ask questions of, and receive answers from, persons acting on behalf of the Company concerning the Company and the proposed sale of Shares pursuant to this Agreement, and otherwise to obtain any additional information, to the extent the Company or its executive officers possess such information or could acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information which such Shareholder has acquired.

(b) Each Shareholder further acknowledges and agrees with the Company that (i) the Shares, when issued, will not have been registered under the Securities Act, or qualified under any state securities laws; (ii) any sale or other disposition of the Shares will be limited to a transaction permitted by the Shareholders Agreement and as to which, in each instance, an exemption from the registration requirements of the Securities Act and any applicable

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requirements under state securities laws can be established to the satisfaction of the Company and its counsel.

ARTICLE 5.

ADDITIONAL COVENANTS

5.1 Reimbursement of KFI. The Company shall reimburse KFI for all legal

fees, and other costs, expenses and capital expenditures, incurred or paid by KFI in connection with the business of the Company, including, without limitation, sums paid to Man Jit Singh on account of the Singh Employment Agreement, trademark expenses, costs of equipment, advertising expenses, wages paid to other employees of the Company, rent and license fees, and legal fees incurred in connection with the preparation and negotiation of agreements with Self Discovery Dynamics LLC and Dow Jones & Company (collectively referred to herein as "Reimbursable Amounts"). Reimbursable Amounts shall not include legal fees incurred in connection with the negotiation, preparation and implementation of this Agreement, the Shareholders Agreement, the Singh Employment Agreement, the License Agreement, the KFI/Singh Agreement and the KFI Stock Repurchase Agreement. Such reimbursement shall be made within 3 business days after KFI makes demand therefor, which may be given at any time after the date of this Agreement. At KFI's option, exercisable in its sole and absolute discretion, all or any portion of such Reimbursable Amounts and all or any portion of any loans or other advances made by KFI to or for the benefit of the Company may, in lieu of such reimbursement and repayment, be credited against any sums otherwise payable by KFI for the purchase of Shares by KFI under this Agreement.

ARTICLE 6.

MISCELLANEOUS

6.1 Transfer of Stock. Except as otherwise expressly provided in this

Agreement and the Shareholders Agreement, each Shareholder agrees not to transfer any of his shares of capital stock of the Company, without complying with the provisions of such Agreements.

6.2 Injunctive Relief. It is acknowledged that it will be impossible to

measure the damages that would be suffered by the non-breaching party if any party fails to comply with the provisions of this Agreement and that in the event of any such failure, the non-breaching parties will not have an adequate remedy at law. The non-breaching parties shall, therefore, be entitled to obtain specific performance of the breaching party's obligations hereunder and to obtain immediate injunctive relief. The breaching party shall not urge, as a defense to any proceeding for such specific performance or injunctive relief, that the non-breaching parties have an adequate remedy at law.

6.3 Certificate of Incorporation and Bylaws. Subject to the provisions of

this Agreement, the Certificate of Incorporation and Bylaws of the Company may be amended in any manner permitted thereunder, except that neither the Certificate of Incorporation nor the Bylaws

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shall be amended in any manner that would conflict with, or be inconsistent with, the provisions of this Agreement.

6.4 Preparation of Agreement. It is acknowledged by each party that such

party either had separate and independent advice of counsel or the opportunity to avail itself or himself of separate and independent legal counsel. Each party hereto understands and acknowledges that the law firm of Morrison & Foerster LLP, is legal counsel to KFI only, and does not represent any other parties to this Agreement. In light of these and other relevant facts it is further acknowledged that no party shall be construed to be solely responsible for the drafting hereof, and therefore any ambiguity shall not be construed against any party as the alleged draftsman of this Agreement.

6.5 Cooperation and Further Assurances. Each party agrees, without

further consideration, to cooperate and diligently perform any further acts, deeds and things and to execute and deliver any documents that may from time to time be reasonably necessary or otherwise reasonably required to consummate, evidence, confirm and/or carry out the intent and provisions of this Agreement, all without undue delay or expense.

6.6 Interpretation.

6.6.1 Entire Agreement/No Collateral Representations. Each party

expressly acknowledges and agrees that this Agreement, the Shareholders Agreement, the Singh Employment Agreement, the License Agreement, the KFI/Singh Agreement and the KFI Stock Repurchase Agreement: (i) are the final expression of the parties agreements with respect to the subject matter hereof and thereof and are the complete and exclusive statements of the terms of such agreement; (ii) supersedes any prior or contemporaneous agreements, promises, assurances, guarantees, representations, understandings, conduct, proposals, conditions, commitments, acts, course of dealing, warranties, interpretations or terms of any kind, oral or written (collectively and severally, the "Prior Agreements"), and that any such Prior Agreements are of no force or effect except as expressly set forth herein and therein; and (iii) may not be varied, supplemented or contradicted by evidence of Prior Agreements. Any agreement hereafter made shall be ineffective to modify, supplement or discharge the terms of this Agreement, in whole or in part, unless such agreement is in writing and signed by the party against whom enforcement of the modification or supplement is sought.

6.6.2 Waiver. No breach of any agreement or provision herein

contained, or of any obligation under this Agreement, may be waived, nor shall any extension of time for performance of any obligations or acts be deemed an extension of time for performance of any other obligations or acts contained herein, except by written instrument signed by the party to be charged or as otherwise expressly authorized herein. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or a waiver or relinquishment of any other agreement or provision or right or power herein contained.

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6.6.3 Remedies Cumulative. Except as otherwise provided in this

Agreement, the remedies of each party under this Agreement, the Shareholders Agreement, the Singh Employment Agreement, the KFI/Singh Agreement, the KFI Stock Repurchase Agreement, and the License Agreement are cumulative and shall not exclude any other remedies to which such party may be lawfully entitled.

6.6.4 Severability. If any term or provision of this Agreement or the

application thereof to any Person or circumstance shall, to any extent, be determined to be invalid, illegal or unenforceable under present or future laws effective during the term of this Agreement, then and, in that event: (i) the performance of the offending term or provision (but only to the extent its application is invalid, illegal or unenforceable) shall be excused as if it had never been incorporated into this Agreement, and, in lieu of such excused provision, there shall be added a provision as similar in terms and amount to such excused provision as may be possible and be legal, valid and enforceable, and (ii) the remaining part of this Agreement (including the application of the offending term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable) shall not be affected thereby and shall continue in full force and effect to the fullest extent provided by law.

6.6.5 No Third Party Beneficiary. The parties specifically disavow

any desire or intention to create any third party beneficiary obligations, and specifically declare that no third party shall have any rights hereunder or any right of enforcement hereof.

6.6.6 No Reliance Upon Prior Representation. The parties acknowledge

that no other party has made any oral representation or promise which would induce them prior to executing this Agreement to change their position to their detriment, partially perform, or part with value in reliance upon such representation or promise; the parties acknowledge that they have taken such action at their own risk; and the parties represent that they have not so changed their position, performed or parted with value prior to the time of their execution of this Agreement.

6.6.7 Headings; References; Incorporation; Gender. The headings used

in this Agreement are for convenience and reference purposes only, and shall not be used in construing or interpreting the scope or intent of this Agreement or any provision hereof. References to this Agreement shall include all amendments or renewals thereof. All cross-references in this Agreement, unless specifically directed to another agreement or document, shall be construed only to refer to provisions within this Agreement, and shall not be construed to be referenced to the overall transaction or to any other agreement or document. Any exhibit referenced in this Agreement shall be construed to be incorporated in this Agreement. As used in this Agreement, each gender shall be deemed to include the other gender, including neutral genders or genders appropriate for entities, if applicable, and the singular shall be deemed to include the plural, and vice versa, as the context requires.

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6.7 Enforcement.

6.7.1 Applicable Law. This Agreement and the rights and remedies of

each party arising out of or relating to this Agreement (including, without limitation, equitable remedies) shall be solely governed by, interpreted under, and construed and enforced in accordance with the laws (without regard to the conflicts of law principles thereof) of the State of Delaware, as if this agreement were made, and as if its obligations are to be performed, wholly within the State of Delaware.

6.7.2 Consent to Jurisdiction; Service of Process. Any action or

proceeding arising out of or relating to this Agreement shall be filed in and heard and litigated solely before the state courts of California located within the County of Los Angeles. Each party generally and unconditionally accepts the exclusive jurisdiction of such courts and to venue therein, consents to the service of process in any such action or proceeding by certified or registered mailing of the summons and complaint in accordance with the notice provisions of this Agreement, and waives any defense or right to object to venue in said courts based upon the doctrine of "Forum Non Conveniens". Each party irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement.

6.7.3 Attorneys' Fees and Costs. If any party institutes or should

the parties otherwise become a party to any Action Or Proceeding based upon or arising out of this Agreement including, without limitation, to enforce or interpret this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights in connection herewith, or for any other relief, including equitable relief, in connection herewith, the Prevailing Party in any such Action Or Proceeding, whether or not such Action Or Proceeding proceeds to final judgment or determination, shall be entitled to receive from the non-Prevailing Party as a cost of suit, and not as damages, all Costs And Expenses of prosecuting or defending the Action Or Proceeding, as the case may be, including, without limitation, reasonable Attorneys' And Other Fees.

6.8 Notices. Any notice, approval, disapproval, consent, waiver, or other

communication (collectively, "Notices") required or permitted to be given under this Agreement shall be in writing and shall be delivered personally or mailed, certified or registered United States mail, postage prepaid, return receipt requested, or sent by Federal Express or other reliable overnight carrier for next business day delivery, or by fax. All Notices shall be deemed delivered (a) if personally served, when actually delivered to the address of the person to whom such Notice is given, (b) if sent via Federal Express or other overnight courier for next business day delivery, one (1) business day following the date on which the Notice is given to Federal Express or other overnight courier, (c) if by mail, three (3) days following deposit in the United States mail, or (d) if by fax, when the transmitting telecopier machine has confirmed that the Notice has been completed or sent without error. All Notices shall be addressed to the party to whom such Notice is to be given at the party's address set forth below or as such party shall otherwise direct by Notice sent pursuant to this Section 6.8:

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If to the Company: Korn/Ferry International Futurestep, Inc.
c/o Korn/Ferry International
1800 Century Park East, Suite 900
Los Angeles, California 90067
Attention: Man Jit Singh, President
Telephone: (310) 843-4121
Telecopier: (310) 553-8640

If to KFI: Korn/Ferry International
1800 Century Park East, Suite 900
Los Angeles, California 90067
Attention: Peter L. Dunn, Vice Chairman
Telephone: (310) 843-4100
Telecopier: (310) 553-8640

With a copy to: Michael C. Cohen, Esq.
Morrison & Foerster LLP
555 West Fifth Street, 35th Floor
Los Angeles, California 90013
Telephone: (213) 892-5404
Telecopier: (213) 892-5454

If to Singh: Mr. Man Jit Singh
1050 Brooklawn Drive
Los Angeles, CA 90077

Telephone: (310) 278-1572
Telecopier: (310) 278-1572

With a copy to: Paul H. Irving, Esq.
Manatt, Phelps & Phillips LLP
11355 W. Olympic Boulevard
Los Angeles, CA 90064
Telephone: (310) 312-4000
Telecopier: (310) 312-4224

6.9 Counterparts. This Agreement may be executed in counterparts, each of

which shall be deemed an original, and all of which together shall constitute one and the same instrument, binding on all parties hereto. Any signature page of this Agreement may be detached from any counterpart of this Agreement and re-attached to any other counterpart of this Agreement identical in form hereto by having attached to it one or more additional signature pages.

6.10 Assignment. Except as otherwise expressly provided in this Agreement,

no party hereto may assign their rights or delegate their duties under this Agreement without the prior written consent of all of the other parties hereto; provided, however, that KFI may, without the

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consent of any other party hereto, assign its rights and delegate its duties under this Agreement to any Person which acquires all or substantially all of the assets of KFI, either through a purchase of such assets, by merger, by consolidation, by reorganization, or otherwise.

IN WITNESS WHEREOF, the Company and the Shareholders have executed this Agreement in counterparts.

KORN/FERRY INTERNATIONAL,
a California corporation

By: /s/ Peter L. Dunn

Peter L. Dunn,
Chief Administrative Officer

KORN/FERRY INTERNATIONAL
FUTURESTEP, INC.,
a Delaware corporation

By: /s/ Man Jit Singh

Man Jit Singh, President

/s/ Man Jit Singh

MAN JIT SINGH

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APPENDIX

CERTAIN DEFINITIONS

1. "Action Or Proceeding" means any and all claims, suits, actions, notices, inquiries, proceedings, hearings, arbitrations or other similar proceedings, including appeals and petitions therefrom, whether formal or informal, governmental or non-governmental, or civil or criminal.
2. "Affiliate" means with respect to any person or entity ("Person No. 1"), any other person or entity which either (i) directly or indirectly owns or controls Person No. 1, or (ii) is directly or indirectly owned or controlled by Person No. 1, or (iii) is under direct or indirect common control with Person No. 1. The term "control" (and its corollaries) includes, without limitation, ownership of interests representing a majority of total voting power in an entity, and "ownership" (and its corollaries) includes, without limitation, ownership of a majority of the equity interests in an entity.
3. "Agreement" means this Agreement and all agreements, exhibits, schedules and appendices expressly annexed hereto.
4. "Attorneys' And Other Fees" means attorneys' fees, accountants' fees, fees of other professionals, witness fees (including experts engaged by the

parties, but excluding shareholders, officers, employees or partners of the parties), and any and all other similar fees incurred in the prosecution or defense of an Action Or Proceeding.

5. "Costs And Expenses" means the cost to take depositions, the cost to arbitrate a dispute, if applicable, and the costs and expenses of travel and lodging incurred with respect to an Action Or Proceeding.

6. "Person" means any individual, firm, corporation, trust, partnership (limited or general), limited liability company, sole proprietorship or association.

7. "Prevailing Party" means the party who is determined to prevail by the court after its consideration of all damages and equities in an Action Or Proceeding, whether or not the Action Or Proceeding proceeds to final judgment. The court shall retain the discretion to determine that no party is the Prevailing Party in which case no party shall be entitled to recover its Costs And Expenses.

8. "Reorganization Transaction" means any stock split, stock dividend, merger or consolidation involving the Company, any recapitalization of the Company, or any transaction involving the sale of all or substantially all of the assets of the Company.

9. "Shares" means all of the issued and outstanding shares of the capital stock of the Company now owned or hereafter acquired by the Shareholders, including, without limitation, the shares purchased and to be purchased pursuant to the Stock Purchase Agreement.

10. "Stock" means all issued and outstanding shares of the voting capital stock of the Company and includes the Shares.

11. "Transfer" when used with reference to the Shares means any sale, transfer, assignment, pledge, grant of a security interest in, gift or other disposition of any of the Shares, or any right or interest therein, with or without consideration, directly or indirectly, whether voluntary or involuntary, by operation of law or otherwise.

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SCHEDULE 1

REPRESENTATIONS AND WARRANTIES

Each individual Shareholder should initial each of the following representations, if applicable:

(a) Shareholder is a U.S. Person. (A "U.S. Person" includes (i) any natural person resident in the United States, or (ii) any partnership or corporation organized or incorporated under the laws of the United States).

(b) Shareholder's individual net worth or joint net worth with his spouse exceeds \$1,000,000.

(c) Shareholder's income (including, but not limited to, salary, bonus, interest and dividend income and vested contributions to any pension or profit sharing plan) was in excess of \$200,000 in each of the last two years, and Shareholder reasonably expects an income in excess of \$200,000 in this year.

(d) Shareholder's joint income with his spouse (including, but not limited to salary, bonus, interest and dividend income and vested contributions to any pension or profit sharing plan) was in excess of \$300,000 in each of the last two years, and Shareholder reasonably expects a joint income in excess of \$300,000 in this year.

(f) Shareholder's investment in the Shares does not exceed 10% of Shareholder's net worth or joint net worth with Shareholder's spouse.

SHAREHOLDER

KORN/FERRY INTERNATIONAL FUTURESTEP, INC.,
A Delaware corporation

SHAREHOLDERS AGREEMENT

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APPENDIX CERTAIN DEFINITIONS

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SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT (this "Agreement"), is dated as of December 1, 1997 ("Agreement Date"), by and among KORN/FERRY INTERNATIONAL, a California corporation ("KFI"), MAN JIT SINGH, an individual ("Singh"), and KORN/FERRY INTERNATIONAL FUTURESTEP, INC., a Delaware corporation ("Company").

ARTICLE 1.

PREAMBLE

1.1 The primary business purpose of the Company is to create, establish and maintain a business providing executive search and ancillary services to candidates and client companies on-line through the medium of the Internet (the "Business"). It is the intention of the Shareholders that the Company be a subsidiary of KFI.

1.2 The Shareholders are purchasing shares of the Company's voting common stock pursuant to that certain Stock Purchase Agreement of the same date herewith between the Company and the Shareholders (the "Stock Purchase Agreement"), in the amounts and for the cash consideration set forth therein. As set forth in the Stock Purchase Agreement, KFI will initially own and control at least a majority of the outstanding shares of the capital stock of the Company.

1.3 Concurrently herewith, KFI and the Company are entering into a certain License Agreement of even date, pursuant to which, among other things, KFI will license to the Company the use of its name in connection with the Business (the "License Agreement").

1.4 Concurrently herewith, the Company and Singh are entering into a certain Employment Agreement of even date, pursuant to which, among other things, Singh is employed as the President and Chief Executive Officer of the Company, for the term and consideration, and subject to the conditions, set forth therein (the "Singh Employment Agreement").

1.5 Concurrently herewith, KFI and Singh are entering into a certain Agreement of even date ("KFI/Singh Agreement") and a certain Stock Repurchase Agreement of even date ("KFI Stock Repurchase Agreement"), pursuant to which, among other things, Singh is admitted as a shareholder of KFI, subject to the terms and conditions set forth therein.

1.6 The Shareholders intend that the Stock Purchase Agreement, the License Agreement, the Singh Employment Agreement, the KFI/Singh Agreement, and the KFI Stock Repurchase Agreement, be executed and delivered concurrently with the execution and delivery of this Agreement.

1.7 Unless otherwise defined herein, all capitalized terms used in this Agreement, shall have the meanings set forth in the Appendix annexed hereto.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE 2.

ELECTION OF DIRECTORS

2.1 Election of Directors.

2.1.1 At each annual meeting of the Stockholders, or at each special meeting of the Stockholders involving the election of directors of the Company, and at any other time at which Stockholders will have the right to or will vote for or render consent in writing regarding the election of directors of the Company, then and in each event, the Shareholders hereby covenant and agree to vote all Shares presently owned or hereafter acquired by them (whether owned of record or over which any Shareholder exercises voting control) in favor of the following actions:

(a) to fix and maintain the number of directors at five (5);

(b) to cause and maintain the election to the Board of Directors of the Company (i) four (4) representatives designated by KFI, who shall initially be Richard M. Ferry, Windle B. Priem, Peter L. Dunn, and Elizabeth S.C.S. Murray (individually, a "KFI Director" and collectively the "KFI Directors") and (ii) Singh himself, as long as Singh remains employed by the Company. The KFI Directors and Singh, in his capacity as a director pursuant to this subparagraph, are referred to herein as "Designated Directors" and individually as a "Designated Director."

2.1.2 None of the parties entitled to designate directors hereunder shall vote to remove any Designated Director of the other party, except for bad faith or willful misconduct. Each of the parties hereto shall vote or cause to be voted all Shares owned by them and over which they have voting control (a) to remove from the Board of Directors any director designated by any party pursuant hereto at the request of such party, and (b) to fill any vacancy in the membership of the Board of Directors with a designee of the party whose Designated Director's resignation or removal from the Board caused such vacancy.

2.1.3 If any party entitled to designate directors hereunder fails to give notice to the Company as provided above, it shall be deemed that the Designated Director of such party then serving as director shall be its designee for reelection.

2.1.4 If Singh shall cease to be entitled to be a Designated Director because for any reason he ceases to be employed by the Company, then Singh may be removed as a director

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of the Company by Stockholder Approval, and the vacancy created by such removal may be filled by the vote or written consent of a majority of the remaining Designated Directors. Thereafter, at each annual meeting of the Stockholders, or at each special meeting of the Stockholders involving the election of directors of the Company, and at any other time at which Stockholders will have the right to or will vote for or render consent in writing regarding the election of directors of the Company, the replacement on the Board of Directors for Singh shall be elected by Stockholder Approval.

ARTICLE 3.

MANAGEMENT AND CONTROL

3.1 General. The business and affairs of the Company shall be managed,

controlled and operated in accordance with its Certificate of Incorporation and Bylaws, as the same may be amended from time to time, except that neither the Certificate of Incorporation nor the Bylaws shall be amended in any manner that would conflict with, or be inconsistent with, the provisions of this Agreement.

3.2 Limitation on Certain Actions by the Company. Without the prior

written consent of KFI, which consent may be exercised or withheld in the sole discretion of KFI, the Company shall not, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, do or cause to be done any of the following, and none of the Shareholders shall vote their Shares, or give proxies or written consents, to approve any of the following:

3.2.1 enter into any Reorganization Transaction or adopt or effect any plan involving a Reorganization Transaction;

3.2.2 liquidate or dissolve or adopt any plan of liquidation or

dissolution, or file any petition in bankruptcy, or enter into any assignment for the benefit of creditors; or

3.2.3 issue, sell or deliver any capital stock or debt securities (or securities convertible into capital stock or debt securities) of the Company, or any interest therein, or issue, sell or grant any warrants or options to acquire any capital stock of the Company, or any interest therein, or conduct any public offering of any of its securities, or voluntarily register any securities of the Company or the Company itself under the Securities Exchange Act of 1934, as amended;

3.2.4 amend or restate the Company's Certificate of Incorporation or Bylaws;

3.2.5 allow any KFI Competitor or any Company Competitor to use the Company's services for any purpose or to have access to any service, data or other information used or provided by the Company;

3.2.6 merge, consolidate, acquire, sell assets to or otherwise enter into any business relationship or transaction with a KFI Competitor or a Company Competitor;

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3.2.7 during the three (3) year period following the Agreement Date, become a KFI Competitor, except with respect to KFI's North American executive search business involving jobs at an annual salary level of \$120,000 or less. During such three (3) year period, KFI may continue to engage in such business in competition with the Company; or

3.2.8 during the two (2) year period following the Agreement Date, solicit for job placements outside of North America.

3.3 Certain Obligations of the Company.

3.3.1 During the three (3) year period following the Agreement Date, the Company shall refer all inquiries and deliver all resumes regarding job placements involving annual salary levels in excess of \$120,000 to KFI, without compensation, unless specifically requested not to do so by a client or candidate.

3.3.2 The Company shall refer all job search inquiries and deliver all resumes which the Company receives and does not intend to pursue to KFI, without compensation.

3.4 Activities of KFI. It is understood that KFI is currently engaged in

businesses, either directly or indirectly through others, which are or may become competitive with the business of the Company, either now or in the future. The Company, and all other parties to this Agreement, and all Persons who hereafter become parties to this Agreement or become otherwise bound by the provisions of this Agreement, hereby acknowledge and agree that KFI may continue to engage in such businesses, even if such businesses are or become competitive with the Company, and the pursuit of any such businesses, even if competitive with the interests of the Company, shall not be deemed wrongful or improper. KFI may hereafter engage in or possess an interest in other activities, businesses or business ventures of any nature or description, independently or with others, similar or dissimilar to the activities of the Company, and the pursuit of any such future activities, businesses or business ventures, even if competitive with the interests of the Company, shall not be deemed wrongful or improper. KFI shall not be obligated to present any particular investment or opportunity to the Company, even if such opportunity is of a character that, if presented to the Company, could be taken by the Company, and KFI shall have the right to take for its own account (individually or as a partner or fiduciary with or of other Persons) or to recommend to others any such particular investment or other opportunity. KFI shall not be required to contribute or otherwise transfer to the Company any existing businesses or any future activities, businesses or business ventures hereafter engaged in by KFI, and neither the Company nor any of the Shareholders are entitled to any of the income or profits derived therefrom. To the fullest extent permitted by applicable law, the Company and the Shareholders hereby waive and relinquish any and all rights which they may now have or hereafter acquire under applicable law which are inconsistent with the provisions of this Section.

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ARTICLE 4.

GENERAL RESTRICTION ON TRANSFER OF SHARES

4.1 General Restriction. No Shareholder shall Transfer any of his

Shares or any right or interest therein, without the prior written consent of

the Company and all of the Shareholders, except a Transfer which meets the requirements of this Agreement. Any purported Transfer in violation of any provision of this Agreement shall be void and ineffectual, and shall not operate to Transfer any interest or title in or to the Shares.

4.2 Non-Permitted Transferee. Notwithstanding anything contained in

this Agreement to the contrary, under no circumstances may any of the Shares or any right or interest therein, be Transferred to a Person (referred to herein as a "Non-Permitted Transferee") who is, as of the date of Transfer, a Company Competitor or a KFI Competitor, without first obtaining the prior written consent of the Company and KFI, which consent may be withheld or given in the sole discretion of the Company or KFI, respectively. In the event any Non-Permitted Transferee acquires any Shares or any interest therein, then (a) such Non-Permitted Transferee shall receive and hold such Shares subject to all of the restrictions and other provisions of this Agreement and (b) such Non-Permitted Transferee shall be required to Transfer all such Shares to a Person who is not a Non-Permitted Transferee within thirty (30) days after first acquiring such Shares, such Transfer to be made in accordance with the provisions of this Agreement.

4.3 Permitted Transfers. Notwithstanding anything contained in this

Agreement to the contrary, none of the restrictions on transfer or other provisions set forth in Articles 5 through 12 of this Agreement, shall apply to any Transfer by a Shareholder of his or its Shares, or any interest therein, which constitutes a Permitted Transfer.

4.4 Company Options. The rights and obligations of the Company to

purchase Shares pursuant to Articles 5 through 12 of this Agreement shall at all times be subject to the laws of the State of Delaware governing the rights of a corporation to purchase its own Stock.

ARTICLE 5.

SALES OF SHARES

5.1 Notice of Sale. If any Shareholder intends to Sell its or his

Shares to a specified Person, then at least thirty (30) days prior to the date of the consummation of the proposed Sale by such Shareholder (the "Offering Shareholder") of any of its or his Shares, or any right or interest therein (the "Offered Shares"), the Offering Shareholder shall give written notice of such proposed Sale ("Article 5 Notice of Sale") to the President and to the Secretary of the Company and to all other Shareholders. The Article 5 Notice of Sale must set forth the name of the proposed transferee, the number of Offered Shares to be Sold, the price per Share, and all other terms and conditions of the proposed Sale. Immediately thereafter, the President or the Secretary shall cause a special meeting of the Directors to be called to afford the Company the opportunity

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to exercise its option to purchase the Offered Shares pursuant to this Article 5. The meeting shall be called for a date not later than fifteen (15) days after the date of delivery to the Company of the Article 5 Notice of Sale.

5.2 Options to Purchase. At the meeting the Company shall be given

the first option to purchase all or any portion of the Offered Shares. In the event that the Company cannot or does not elect to purchase all of the Offered Shares at the meeting, then written notice (the "Article 5 Company Notice") shall be given to the Shareholders (other than the Offering Shareholder) within five (5) days after such meeting, setting forth the number of Offered Shares not purchased by the Company, the number of Offered Shares each of the remaining Shareholders is entitled to purchase, assuming all remaining Shareholders elect to purchase the full amount of Offered Shares they are entitled to purchase, the price and payment terms per Offered Share, and all other material facts. Each of the remaining Shareholders (other than the Offering Shareholder) shall have the option, which must be exercised, if at all, by delivering written notice of exercise to the Company within five (5) business days after delivery of the Article 5 Company Notice, to purchase that portion of the Offered Shares not purchased by the Company that the number of Shares held by it or him bears to the number of Shares held by all Shareholders electing to purchase the Offered Shares. The right of the Company and the Shareholders to exercise their options to purchase the Offered Shares pursuant to this Article 5 is not dependent upon all of the Offered Shares being purchased by the Company and/or Shareholders.

5.3 Notice of Exercise of Options.

5.3.1 Prior to the expiration of the thirty (30) day period following the date of delivery by the Offering Shareholder of the Article 5 Notice of Sale ("Option Period"), the Company shall give written notice of

exercise of the options to the Offering Shareholder, setting forth the name of each party who has elected to purchase the Offered Shares and the number of Offered Shares to be purchased by each party.

5.3.2 Each Shareholder who exercises his option to purchase shall be deemed to have authorized the Company to give, on its or his behalf, notice of exercise of the option. Upon the giving of such notice of exercise to the Offering Shareholder, each of the parties named therein shall be obligated to purchase the number of Offered Shares which such party has elected to purchase for the same purchase price and on all other terms and conditions set forth in the Article 5 Notice of Sale.

5.4 Failure to Exercise Options for All Offered Shares. In the event

that the Company and/or the Shareholders do not elect to purchase all of the Offered Shares, then at any time during the sixty (60) days following the expiration of such Option Period, subject to the provisions of Section 4.2 above, the Offering Shareholder may Sell those Offered Shares not purchased by the Company and the Shareholders ("Remaining Offered Shares"), to the person, at the price and on the terms specified in the Article 5 Notice of Sale, provided that such person executes a document, in form and substance satisfactory to the Company and its counsel, pursuant to which such person agrees to be bound by the provisions of this Agreement, and

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thereby agrees to receive and hold all the Offered Shares so purchased subject to all of the provisions and restrictions contained herein. If the Remaining Offered Shares have not been so Sold prior to the expiration of such sixty (60) day period, the Remaining Offered Shares shall again become subject to all of the provisions of this Agreement and may not thereafter be Transferred except in the manner and on the terms set forth in this Agreement.

ARTICLE 6.

INVOLUNTARY TRANSFERS

6.1 Notice of Involuntary Transfer. At least thirty (30) days prior

to an Involuntary Transfer by a Shareholder (the "Transferring Shareholder") of any of his Shares, or any right or interest therein (the "Article 6 Shares"), the Transferring Shareholder shall give written notice of such proposed Involuntary Transfer ("Notice of Involuntary Transfer") to the President and the Secretary of the Company and to all other Shareholders. The Notice of Involuntary Transfer must set forth the name and address of the proposed transferee, the number of Article 6 Shares to be transferred, and all other material circumstances surrounding the proposed Involuntary Transfer. Immediately thereafter, the President or the Secretary shall cause a special meeting of the Directors to be called to afford the Company the opportunity to exercise its option to purchase the Article 6 Shares. The meeting shall be called for a date not later than fifteen (15) days after the date of delivery to the Company of the Notice of Involuntary Transfer.

6.2 Options to Purchase. At the meeting the Company shall be given

the first option to purchase all or any portion of the Article 6 Shares. In the event that the Company cannot or does not elect to purchase all of the Article 6 Shares at the meeting, then written notice (the "Article 6 Company Notice") shall be given to the Shareholders (other than the Transferring Shareholder) within five (5) days after such meeting, setting forth the number of Article 6 Shares not purchased by the Company, the number of Article 6 Shares each of the remaining Shareholders is entitled to purchase, assuming all remaining Shareholders elect to purchase the full amount of Article 6 Shares they are entitled to purchase, the price and payment terms per Article 6 Share, determined in accordance with Articles 10 and 11 below, and all other material facts. Each of the remaining Shareholders (other than the Transferring Shareholder) shall have the option, which must be exercised, if at all, by delivering written notice of exercise to the Company within five (5) business days after delivery of the Article 6 Company Notice, to purchase that portion of the Article 6 Shares not purchased by the Company that the number of Shares held by it or him bears to the number of Shares held by all Shareholders electing to purchase the Article 6 Shares. The right of the Company and the Shareholders to exercise their options to purchase the Article 6 Shares pursuant to this Article 6 is not dependent upon all of the Article 6 Shares being purchased by the Company and/or Shareholders.

6.3 Notice of Exercise of Options.

6.3.1 Prior to the expiration of the thirty (30) day period following the date of delivery by the Transferring Shareholder of the Article 6 Notice of Sale ("Article 6 Option Period"), the Company shall give written notice of exercise of the options to the Transferring

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Shareholder, setting forth the name of each party who has elected to purchase the Article 6 Shares and the number of Article 6 Shares to be purchased by each party.

6.3.2 Each Shareholder who exercises his option to purchase shall be deemed to have authorized the Company to give, on his behalf, notice of exercise of the option. Upon the giving of such notice of exercise to the Transferring Shareholder, each of the parties named therein shall be obligated to purchase the number of Article 6 Shares which such party has elected to purchase for the purchase price set forth in Article 10 of this Agreement and the purchase price shall be paid in the manner provided in Article 11 of this Agreement.

6.4 Failure to Exercise Options. In the event that the Company

and/or the Shareholders do not elect to purchase all of the Article 6 Shares prior to the expiration of the Article 6 Option Period, then at any time during the sixty (60) days following the expiration of the Article 6 Option Period, subject to the provisions of Section 4.2 above, the Article 6 Shares not purchased by the Company and the Shareholders (the "Remaining Article 6 Shares") may be Involuntarily Transferred, to the person and in the manner set forth in the Notice of Involuntary Transfer, provided that such person executes a document, in form and substance satisfactory to the Company and its counsel, pursuant to which such person agrees to be bound by the provisions of this Agreement, and thereby agrees to receive and hold all the Remaining Article 6 Shares subject to all of the provisions and restrictions contained herein. If the Remaining Article 6 Shares have not been so Involuntarily Transferred prior to the expiration of such sixty (60) day period, the Remaining Article 6 Shares shall again become subject to all of the provisions of this Agreement and may not thereafter be Transferred except in the manner and on the terms set forth in this Agreement.

ARTICLE 7.

FAILURE TO GIVE NOTICES

7.1 Applicability of Articles 5 and 6. The failure to give an

Article 5 Notice of Sale or an Article 6 Notice of Involuntary Transfer as required in Articles 5 and 6 hereof shall not prevent the exercise by the Company and/or the Shareholders of their options to purchase the Offered Shares or the Article 6 Shares as provided therein. If a Sale or an Involuntary Transfer has occurred and no Article 5 Notice of Sale or Notice of Involuntary Transfer was given, any Shareholder may call a combined meeting of the directors and Shareholders at any time thereafter for the purpose of determining whether the Company and/or the Shareholders will exercise their options to purchase the Offered Shares or Article 6 Shares, or any portion thereof, which have been Sold or Involuntarily Transferred substantially in the manner set forth in Articles 5 and 6 hereof.

7.2 Notice of Exercise. In the event the Company and/or the

Shareholders elect to exercise their options to acquire all or a portion of the Offered Shares or Article 6 Shares as set forth in Articles 5 or 6 above, then the notice of exercise shall be mailed to the person who acquired such Shares, at the last known address of such person which the Company shall be able to ascertain. The person acquiring such Shares shall be required to sell such Shares, and shall

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execute and deliver the certificates evidencing such Shares, to the Company and/or the Shareholders pursuant to the exercise of such options.

ARTICLE 8.

BANKRUPTCY, DISSOLUTION, OR CHANGE OF CONTROL OF A SHAREHOLDER

8.1 Company Option to Purchase. If (a) a petition in bankruptcy is

filed by or against any Shareholder, or (b) any Shareholder elects to dissolve, or (c) control, directly or indirectly, either through stock ownership, by contract or otherwise, of any Shareholder is acquired by a Company Competitor or a KFI Competitor, or (d) five percent (5%) or more of the voting power of a Shareholder is acquired, directly or indirectly, by a Company Competitor or a KFI Competitor (such Shareholder being referred to herein as the "Article 8 Shareholder"), then the Company shall have the first option to purchase all or any portion of the Article 8 Shareholder's Shares ("Article 8 Shares") from the Article 8 Shareholder or other person who would otherwise acquire such Shares (referred to herein as the "Article 8 Shareholder's Successor"). Such option shall be exercisable by the Company during the thirty (30) day period following the date on which the applicable event referred to in subparagraphs (a) through (d) above occurs and must be exercised, if at all, by giving written notice of exercise to such Article 8 Shareholder or such Article 8 Shareholder's Successor

prior to the expiration of said thirty (30) day period. If the Company duly exercises such option, then the Article 8 Shareholder or the Article 8 Shareholder's Successor shall be required to sell such Article 8 Shares to the Company for the purchase price specified in Article 10 and such purchase price shall be paid in the manner provided for in Article 11 hereof.

8.2 Shareholders Option to Purchase. If for any reason the Company

does not exercise its option to purchase all of said Article 8 Shares, then the Company shall give each of the remaining Shareholders prompt written notice specifying the number of Article 8 Shares not purchased by the Company and other relevant information. Each of the remaining Shareholders shall have the option to purchase that portion of the Article 8 Shares not purchased by the Company that the number of Shares held by it or him bears to the number of Shares held by all Shareholders electing to purchase the Article 8 Shares. Such options shall be exercisable by the Shareholders during the sixty (60) day period following the date on which the applicable event referred to in Section 8.1 above occurs, and must be exercised, if at all, by giving written notices of exercise to such Article 8 Shareholder or such Article 8 Shareholder's Successor prior to the expiration of said sixty (60) day period. If the Shareholders duly exercise such options, then the Article 8 Shareholder or the Article 8 Shareholder's Successor shall be required to sell all such Article 8 Shares to such Shareholders for the purchase price specified in Article 10 hereof and such purchase price shall be paid in the manner provided for in Article 11 hereof.

8.3 Failure to Exercise Options. If the Company and the Shareholders

shall fail to exercise their options to purchase all of the Article 8 Shares of the Article 8 Shareholder within the time periods referred to in Sections 8.1 and 8.2 above, then such options shall automatically expire with respect to the Article 8 Shares not so purchased by the Company and the Shareholders ("Remaining Article 8 Shares"); provided, however, that such Remaining Article 8

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Shares and the Article 8 Shareholder or the Article 8 Shareholder's Successor shall nevertheless remain subject to the terms and conditions of this Agreement with respect to such Remaining Article 8 Shares, including, without limitation, the provisions of Article 2 hereof, and such Remaining Article 8 Shares may not thereafter be Transferred by the Article 8 Shareholder or the Article 8 Shareholder's Successor without compliance with all of the terms and conditions of this Agreement.

ARTICLE 9.

TERMINATION OF EMPLOYMENT, DEATH AND DISABILITY OF SINGH

9.1 Company Option to Purchase. In the event that for any reason

whatsoever (a) Singh's employment with the Company is terminated, with or without cause, by the Company or by Singh, or Singh otherwise is no longer employed by the Company, or (b) Singh becomes and remains "Disabled" (as defined in Section 9.4 below) for a consecutive period of sixty (60) days or for nonconsecutive periods aggregating one hundred and twenty (120) days ("Disability Period"), and Singh's employment with the Company is terminated by the Company pursuant to Section 7.4 of the Singh Employment Agreement, or (c) Singh's employment with the Company is terminated because of the death of Singh, then the Company shall have the first option to purchase all or any portion of Singh's Shares ("Article 9 Shares") from Singh or Singh's estate, executor, administrator or guardian, as applicable ("Article 9 Shareholder's Successor"). The date on which Singh's employment with the Company is terminated by reason of the foregoing shall sometimes be referred to herein as the Employment Termination Date. Such option shall be exercisable by the Company during the sixty (60) day period following the Employment Termination Date, and must be exercised, if at all, by giving written notice of exercise to Singh or the Article 9 Shareholder's Successor prior to the expiration of said sixty (60) day period. If the Company duly exercises such option, then Singh or the Article 9 Shareholder's Successor shall be required to sell such Article 9 Shares to the Company for the purchase price specified in Article 10 hereof and such purchase price shall be paid in the manner provided for in Article 11 hereof.

9.2 Shareholders Option to Purchase. If for any reason the Company

does not exercise its option to purchase all of said Article 9 Shares, then the Company shall give each of the remaining Shareholders prompt written notice specifying the number of Article 9 Shares not purchased by the Company and other relevant information. Each of the remaining Shareholders shall have the option to purchase that portion of the Article 9 Shares not purchased by the Company that the number of Shares held by it or him bears to the number of Shares held by all Shareholders electing to purchase the Article 9 Shares. Such options shall be exercisable by the Shareholders during the sixty (60) day period following the Employment Termination Date, and must be exercised, if at all, by giving written notices of exercise to Singh or the Article 9 Shareholder's Successor prior to the expiration of said sixty (60) day period. If the Shareholders duly exercise such options, then Singh or the Article 9

Shareholder's Successor shall be required to sell all such Article 9 Shares to such Shareholders for the purchase price specified in Article 10 hereof and such purchase price shall be paid in the manner provided for in Article 11 hereof.

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9.3 Failure to Exercise Options. If the Company and the Shareholders

shall fail to exercise their options to purchase all of the Article 9 Shares within the time periods referred to in Sections 9.1 and 9.2 above, then such options shall automatically expire with respect to the Article 9 Shares not purchased (the "Remaining Article 9 Shares"); provided, however, that such Remaining Article 9 Shares, Singh and the Article 9 Shareholder's Successor shall nevertheless remain subject to all of the terms and conditions of this Agreement, including, without limitation, the provisions of Article 2 hereof.

9.4 Definition of Disability. For purposes of this Agreement, the

term "Disabled" shall have the meaning set forth in Section 7.4 of the Singh Employment Agreement.

9.5 Singh Put Right. If Section 9.1(a) applies and Singh's employment

with the Company was terminated by the Company without cause, or Section 9.1(b) or Section 9.1(c) applies, and as of the date of termination of such employment, Singh had been employed with the Company for a continuous period of at least thirty-six (36) months, and the Company and the Shareholders have not exercised their options to purchase all of the Article 9 Shares within the time periods referred to in Sections 9.1 and 9.2 above, then for the thirty (30) day period following the expiration of the sixty (60) day period referred to in Section 9.2 above, Singh shall have the right to require the Company to purchase all of Singh's Shares. Such right (sometimes referred to herein as the "Singh Put Right") shall be exercisable by Singh during the thirty (30) day period referred to herein and must be exercised, if at all, by giving written notice of exercise to the Company prior to the expiration of said thirty (30) day period. If Singh duly exercises the Singh Put Right, then the Company shall be required to purchase all of Singh's Shares, subject to the provisions of Section 4.4 above, for the purchase price specified in Article 10 hereof and such purchase price shall be paid in the manner provided for in Article 11 hereof.

ARTICLE 10.

DETERMINATION OF PURCHASE PRICE

10.1 Purchase Price Under Articles 6, 7, and 8. The total purchase

price per share of each Share purchased pursuant to Articles 6, 7 and 8 hereof shall be an amount equal to the Per Share Book Value.

10.2 Purchase Price Under Article 9. As a general rule, the total

purchase price per share for each Share purchased pursuant to Article 9 hereof shall be an amount equal to the higher of the average amount per Share paid by Singh for such Shares ("Per Share Cost") or the Per Share Book Value; provided, however, that:

10.2.1 If Section 9.1(a) applies and Singh's employment with the Company was terminated by the Company without cause, or Section 9.1(b) or Section 9.1(c) applies, and as of the date of termination of such employment, Singh had been employed with the Company for a continuous period of at least eighteen (18) months, but not more than thirty-six (36) months, the total purchase price for each Share purchased pursuant to Article 9 hereof shall be the greater of (a) the Per Share Cost, or (b) the Per Share Book

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Value, or (c) if the Company has sold additional shares of its capital stock to other investors as of the date of termination of such employment (sometimes referred to herein as the "Second Round Financing"), \$1.20 per share, or (d) if as of the date of termination of such employment the Company has completed an IPO, the Per Share Market Value; provided, further however, that if Section 10.2.1(c) applies, the purchase price shall be payable only if and when the Company has completed an IPO or an IPO could have been completed within the meaning of Section 12.2 below, such payment to be made in the manner set forth in Article 11 hereof.

10.2.2 If Section 9.1(a) applies and Singh's employment with the Company was terminated by the Company without cause or by Singh for any reason, or Section 9.1(b) or Section 9.1(c) applies, and as of the date of termination of such employment, Singh had been employed with the Company for a continuous period of at least thirty-six (36) months, the total purchase price for each Share purchased pursuant to Article 9 hereof shall be the greater of (a) the Per Share Cost, or (b) the Per Share Book Value, or (c) if the Company has completed the Second Round Financing as of the

date of termination of such employment, \$1.50 per share, or (d) if as of the date of termination of such employment the Company has completed an IPO, the Per Share Market Value; provided, further however, that if Section 10.2.2(c) applies, the purchase price shall be payable only if and when the Company has completed an IPO or an IPO could have been completed within the meaning of Section 12.2 below, such payment to be made in the manner set forth in Article 11 hereof.

10.2.3 If Section 9.5 applies, the total purchase price for each Share purchased pursuant to Section 9.5 shall be the greater of (a) the Per Share Cost, or (b) the Per Share Book Value, or (c) if the Company has completed the Second Round Financing as of the date of termination of such employment, \$1.50 per share, or (d) if as of the date of termination of such employment the Company has completed an IPO, the Per Share Market Value; provided, further however, that if Section 10.2.3(c) applies, the purchase price shall be payable only if and when the Company has completed an IPO or an IPO could have been completed within the meaning of Section 12.2 below, such payment to be made in the manner set forth in Article 11 hereof.

10.3 Goodwill. The parties understand that whether or not the foregoing ----- provisions include a premium above book value, their goodwill, if any, has been taken into consideration in the formula set forth in Sections 10.1 and 10.2, and each party hereto recognizes and waives his or its rights, if any, to be compensated in the purchase price separately for goodwill of the Company. Such recognition and waiver shall be binding upon the spouse, if any, of any individual Shareholder and his heirs and assigns.

10.4 Allocation of Total Purchase Price. In the event that the Shares are ----- purchased by more than one party hereto, then the purchase price provided herein shall be allocated among the parties purchasing such Shares on the basis of the number of Shares so purchased.

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ARTICLE 11.

PAYMENT OF PURCHASE PRICE

11.1 Purchases Under Articles 6, 7, 8 and 9. -----

11.1.1 In the event of any purchase of Shares pursuant to the options contained in Articles 6, 7, 8 and 9 hereof, then the consummation of such purchase (the "Closing") shall occur on (a) the thirtieth (30th) day following the date of the last notice of exercise given pursuant to Articles 6, 7, 8 and 9, as applicable, or if said day is not a business day, then on the next succeeding business day (such date being referred to herein as the "Closing Date").

11.1.2 In the event of any purchase of Shares pursuant to the options contained in Articles 6, 7, 8 and 9 hereof, then the Company and/or each of those Shareholders purchasing such Shares shall, subject to the provisions of Sections 11.1.3 and 11.2 below, pay their respective portions of the total purchase price in full in cash at the Closing; provided, however, that if Sections 10.2.1(c), or 10.2.2(c) or 10.2.3(c) applies, then such purchase price shall be payable within thirty (30) days after the date on which the Company has completed an IPO or an IPO could have been completed within the meaning of Section 12.2 below, such payment to be made in the manner set forth in this Article 11.

11.1.3 The Company or a Shareholder may elect to pay his or her respective portion of the total purchase price in installments. If such an election is made, the purchase price shall be paid twenty percent (20%) in cash at Closing, and the balance in thirty-six (36) equal monthly installments, commencing on the first day of the month following the Closing Date and continuing thereafter on the first day of each succeeding month until the entire portion of such party's respective balance of the purchase price has been paid in full. Such respective balance shall be evidenced by an installment note executed by such party and delivered at the Closing to the person from whom the Shares are being purchased. Such promissory note shall bear simple interest at the prime or reference lending rate of Bank of America, San Francisco, California, as of the date of said note; provided, however, that such interest rate shall not exceed the maximum rate permitted by law. Such promissory note shall contain customary provisions for late charges and default rates of interest.

11.1.4 At the Closing, the Shares being purchased pursuant to Articles 6, 7, 8 and 9, as applicable, shall be transferred to the Company and/or the Shareholders purchasing such Shares by the execution and delivery of a stock assignment separate from certificate, together with the original certificate(s) evidencing such Shares.

11.2 Insurance Policies. Partially or fully to fund the payments of the

purchase price of Shares to be bought by the Company under Article 9 in the event of the death of Singh, the Company may, if so directed by the Board of Directors, apply for, acquire and maintain in full force and effect a policy of life insurance in an amount sufficient to pay all or part of the purchase price of such Shares in the event the Company exercises its option to purchase such Shares pursuant to Article 9. Each policy shall belong solely and absolutely to the Company,

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and subject to the provisions of this Agreement, the Company reserves all the powers and rights of ownership thereof, shall name itself as primary beneficiary, and agrees to pay all premiums thereon as they fall due. Any dividends paid upon any of the policies prior to maturity by death of the insured shall be paid to the Company. Receipts showing payment of premiums shall be retained on file by the Company and shall be available to the Shareholders for inspection. In the event the Company exercises its option pursuant to Article 9 above to purchase such Shares and elects to pay the purchase price therefor in installments pursuant to Section 11.1.3 above, and the proceeds from any such life insurance policies are in excess of twenty percent (20%) of the purchase price of said Shares, then notwithstanding anything to the contrary in Section 11.1.3, the Company shall nevertheless pay at the Closing the full amount of such life insurance proceeds in cash, and the balance will be evidenced by a note in the manner provided in Section 11.1.3 above.

ARTICLE 12.

SPECIAL PUT AND CALL OPTIONS

12.1 Put Rights and Call Rights.

12.1.1 IPO Put Rights. If on or before December 31, 2002, an IPO

could have been completed because the conditions set forth in Section 12.2 below have been satisfied, but such IPO was not completed solely because of a KFI Objection, then Singh shall have the right (referred to in this Agreement as an "IPO Put Right") to cause the Company to purchase all (but not less than all) of his Shares for the purchase price and on the other terms and conditions set forth below in this Article 12. In order to exercise the IPO Put Right, Singh must deliver written notice of exercise to the Company and to KFI on or before December 31, 2003. If for any reason whatsoever Singh fails or neglects to exercise an IPO Put Right which exists on or before December 31, 2003, then the IPO Put Right shall automatically expire and be of no further force or effect. If the Company is unable under applicable law to consummate an IPO Put Right which has been duly exercised or if the Company has insufficient funds to consummate such an IPO Put Right, then KFI shall be obligated to consummate such IPO Put Right on the same terms and conditions.

12.1.2 Other Put Rights. During the month of September of each year

occurring after December 31, 2003 and provided the Company has not as of September 1st of any such year consummated an IPO, then Singh shall have the right (referred to in this Agreement as an "Other Put Right") to cause the Company to purchase all (but not less than all) of his Shares for the purchase price and on the other terms and conditions set forth below in this Article 12. In order to exercise an Other Put Right, Singh must deliver written notice of exercise to the Company and to KFI in the month of September of such year. If for any reason whatsoever Singh fails or neglects to exercise an Other Put Right during any such September, then such Other Put Right for that year shall automatically expire and be of no further force or effect. KFI shall have no obligation to consummate an Other Put Right which for any reason cannot be consummated by the Company.

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12.1.3 IPO Call Rights. If on or before December 31, 2002, an IPO

could have been completed because the conditions set forth in Section 12.2 below have been satisfied, but such IPO was not completed solely because of a KFI Objection, then the Company or, at the election of KFI, the Company and/or KFI, shall have the right (referred to in this Agreement as an "IPO Call Right") to purchase all (but not less than all) of the Shares then owned by Singh for the purchase price and on the other terms and conditions set forth below in this Article 12, and in the proportions designated by KFI. In order to exercise the IPO Call Right, the Company and/or KFI must deliver written notice of exercise to Singh on or before December 31, 2003. If for any reason whatsoever the Company and/or KFI fail or neglect to exercise the IPO Call Right which exists on or before December 31, 2003, then the IPO Call Rights shall automatically expire and be of no further force or effect.

12.1.4 Other Call Rights. During the month of September of each year

occurring after December 31, 2003 and provided the Company has not as of September 1st of any such year consummated an IPO, then the Company or, at the election of KFI, the Company and/or KFI, shall have the right (referred to in this Agreement as an "Other Call Right") to purchase all (but not less than all) of the Shares then owned by Singh for the purchase price and on the other terms and conditions set forth below in this Article 12, and in the proportions designated by KFI. In order to exercise an Other Call Right, the Company and/or KFI must deliver written notice of exercise to Singh in the month of September of such year. If for any reason whatsoever either the Company and KFI fail or neglect to exercise an Other Call Right during any such September, then such Other Call Right for that year shall automatically expire and be of no further force or effect.

12.2 IPO Could Have Been Completed. An IPO could have been completed within

the meaning of Sections 12.1.1 and 12.1.3 if all of the following conditions are satisfied:

12.2.1 All directors of the Company other than the "KFI Directors" (as this term is used in this Shareholders Agreement) affirmatively requested and voted in favor of such IPO; and

12.2.2 The Company had positive EBITDA of at least \$14 million during the twelve (12) calendar months preceding the date on which it is asserted such an IPO could have been completed; and

12.2.3 The Company has received the "IPO Opinions" referred to in Section 12.3 below.

12.3 IPO Opinions. Upon exercise of an IPO Put Right or an IPO Call Right,

the party giving the notice of exercise shall include in such notice the name of an appraiser or other valuation expert ("Section 12.3 Exercising Party's Appraiser"). Within five (5) days after notice of exercise of an IPO Put Right or an IPO Call Right has been given, the party receiving such notice shall select an appraiser or other valuation expert and give written notice thereof to the

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party exercising the IPO Put Right or the IPO Call Right (the "Section 12.3 Recipient's Appraiser"). Within five (5) days after the notice of the name of the Section 12.3 Recipient's Appraiser is given, the Section 12.3 Exercising Party's Appraiser and the Section 12.3 Recipient's Appraiser shall select and notify the parties of a third appraiser or valuation expert ("Section 12.3 Third Appraiser"). The Section 12.3 Recipient's Appraiser, the Section 12.3 Exercising Party's Appraiser, and the Section 12.3 Third Appraiser, must each be a Person who or which has substantial experience in initial public offerings and the valuation of companies for purposes of initial public offerings. Within fifteen (15) days thereafter, the Section 12.3 Exercising Party's Appraiser, the Section 12.3 Recipient's Appraiser and the Section 12.3 Third Appraiser shall each render a written opinion to the exercising party and the other party as to whether in its or his opinion a firm underwritten IPO by the Company could have been completed on or about the date asserted, on terms and conditions which are consistent with initial public offerings of companies of a similar type under similar circumstances, utilizing one or more of the top fifteen national investment banking firms in terms of underwriting revenues from initial public offerings of equity securities, as established by the most recent published sources (with such an affirmative opinion being referred to herein as a "Favorable Opinion"). If at least two of the three opinions constitute Favorable Opinions, then the condition referred to in Section 12.2.3 shall be deemed satisfied. If at least two of the three opinions do not constitute Favorable Opinions, then the condition referred to in Section 12.2.3 shall not be deemed satisfied, and that result shall be binding on all parties. Each of the foregoing three appraisers which renders a Favorable Opinion, shall include in such opinion its or his estimate of the gross offering price per share or an average of a range of gross offering prices per share at which the shares of the capital stock of the Company would have been sold in such an IPO ("Per Share IPO Estimate"). The fees of the Section 12.3 Exercising Party's Appraiser shall be paid by the party exercising the IPO Put Right or IPO Call Right, as applicable, and the fees of the Section 12.3 Recipient Party's Appraiser shall be paid by the party receiving the notice of exercise. The fees of the Section 12.3 Third Appraiser shall be borne fifty percent (50%) by the party exercising the IPO Put Right or IPO Call Right, and fifty percent (50%) by the other party.

12.4 Appraisers. Upon exercise of an Other Put Right or an Other

Call Right, the party giving the notice of exercise shall include in such notice the name of an appraiser or other valuation expert ("Section 12.4 Exercising Party's Appraiser"). Within five (5) days after notice of exercise of an Other Put Right or an Other Call Right has been given, the party receiving such notice shall select an appraiser or other valuation expert and give written notice thereof to the party exercising the Other Put Right or Other Call Right (the

"Section 12.4 Recipient's Appraiser"). Within five (5) days after the notice of the name of the Section 12.4 Recipient's Appraiser is given, the Section 12.4 Exercising Party's Appraiser and the Section 12.4 Recipient's Appraiser shall select and notify the parties of a third appraiser or valuation expert ("Section 12.4 Third Appraiser"). The Section 12.4 Recipient's Appraiser, the Section 12.4 Exercising Party's Appraiser, and the Section 12.4 Third Appraiser, must each be a Person who or which has substantial experience in the valuation of non-public companies. Within fifteen (15) days thereafter, the Section 12.4 Exercising Party's Appraiser, the Section 12.4 Recipient's Appraiser and the Section 12.4 Third Appraiser shall each render a written opinion (collectively, the "Other Opinions") to the exercising party and the other party as to the fair market value of each Share which is the subject of the Other Put Right or Other Call Right ("Per Share

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Estimate"). The fees of the Section 12.4 Exercising Party's Appraiser shall be paid by the party exercising the Other Put Right or Other Call Right, as applicable, and the fees of the Section 12.4 Recipient Party's Appraiser shall be paid by the party receiving the notice of exercise. The fees of the Section 12.4 Third Appraiser shall be borne fifty percent (50%) by the party exercising the Other Put Right or Other Call Right, and fifty percent (50%) by the other party.

12.5 Purchase Price and Payment Terms.

12.5.1 The purchase price payable for each Share pursuant to an IPO Put Right or an IPO Call Right shall be an amount equal to the average of the Per Share IPO Estimates set forth in the IPO Opinions.

12.5.2 The purchase price payable for each Share pursuant to an Other Put Right or an Other Call Right shall be an amount equal to the average of the Per Share Estimates set forth in the Other Opinions.

12.5.3 In the event of any purchase of Shares pursuant to the Put Rights or the Call Rights, then the consummation of such purchase (the "Closing") shall occur on the thirtieth (30th) day following the date of the last IPO Opinion or Other Opinion, as applicable, or if said day is not a business day, then on the next succeeding business day (such date being referred to herein as the "Closing Date").

12.5.4 The purchase price payable for each Share pursuant to the Put Rights or the Call Rights shall be payable in cash or by wire transfer of immediately available funds at the Closing; provided, however, that the purchase price may be paid in installments if the purchaser of the Shares so elects. If such an election is made, the purchase price shall be paid twenty percent (20%) in cash at Closing, and the balance in thirty-six (36) equal monthly installments, commencing on the first day of the month following the Closing Date and continuing thereafter on the first day of each succeeding month until the entire balance of the purchase price has been paid in full. Such respective balance shall be evidenced by an installment note executed by the purchaser of the Shares and delivered at the Closing to the person from whom the Shares are being purchased. Such promissory note shall bear simple interest at the prime or reference lending rate of Bank of America, Los Angeles, California, as of the date of said note; provided, however, that such interest rate shall not exceed the maximum rate permitted by law. Such promissory note shall contain customary provisions for late charges and default rates of interest.

12.5.5 At the Closing, the Shares being purchased pursuant to this Articles 12 shall be transferred to the Company and/or KFI by the execution and delivery of a stock assignment separate from certificate, together with the original certificate(s) evidencing such Shares.

12.5.6 Notwithstanding anything contained in this Section 12.5 to the contrary, if prior to the date on which KFI is required or has the right to consummate a purchase of Shares pursuant to an exercise of an IPO Put Right or an IPO Call Right or an Other Put Right or an Other Call Right, KFI has consummated an IPO with respect to one or more classes of its equity

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securities ("KFI Public Securities"), then KFI may, at its sole option, pay all or any portion of the purchase price for such Shares by issuing shares of the KFI Public Securities, which may be in a transaction not involving any public offering, and subject to compliance with applicable federal and state securities laws. For these purposes, the value of each share of the KFI Public Securities to be issued shall be: (i) If the KFI Public Securities are listed on any established stock exchange or a national market system, including, without limitation, The Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, the closing sales price of a share of the KFI Public Securities (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the Closing Date, or (ii) if the KFI Public Securities are quoted by a recognized securities dealer but selling prices are not reported, the mean between the high bid and low asked

prices for the KFI Public Securities on the last market trading day prior to the Closing Date. By way of example only, if KFI is entitled or required to pay \$10,000 for Shares pursuant to an exercise of an IPO Put Right or an Other Put Right, KFI may pay said \$10,000 by issuing KFI Public Securities having a value, as determined above, of \$10,000.

ARTICLE 13.

MISCELLANEOUS

13.1 Transfer of Stock. Except as otherwise expressly provided in this

Agreement and the Stock Purchase Agreement, each Shareholder agrees not to transfer any of his shares of capital stock of the Company, without complying with the provisions of those Agreements.

13.2 Legend. Each certificate representing the Shares shall bear the

following legend, until such time as the Shares are no longer subject to the provisions hereof, in addition to such other legends required by the Stock Purchase Agreement and applicable federal and state securities laws:

"The sale, transfer or assignment of the securities represented by this certificate are subject to the terms and conditions of a certain Shareholders Agreement dated _____, 1997, among the Company and holders of its outstanding capital stock. Copies of such Agreement may be obtained at no cost by written request made by the holder of record of this certificate to the Secretary of the Company."

13.3 Certificate of Incorporation and Bylaws. Subject to the provisions of

this Agreement, the Certificate of Incorporation and Bylaws of the Company may be amended in any manner permitted thereunder, except that neither the Certificate of Incorporation nor the Bylaws shall be amended in any manner that would conflict with, or be inconsistent with, the provisions of this Agreement.

13.4 Injunctive Relief. It is acknowledged that it will be impossible to

measure the damages that would be suffered by the non-breaching party if any party fails to comply with the provisions of this Agreement and that in the event of any such failure, the non-breaching parties will not have an adequate remedy at law. The non-breaching parties shall, therefore, be entitled

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to obtain specific performance of the breaching party's obligations hereunder and to obtain immediate injunctive relief. The breaching party shall not urge, as a defense to any proceeding for such specific performance or injunctive relief, that the non-breaching parties have an adequate remedy at law.

13.5 Preparation of Agreement. It is acknowledged by each party that such

party either had separate and independent advice of counsel or the opportunity to avail itself or himself of separate and independent legal counsel. Each party hereto understands and acknowledges that Morrison & Foerster LLP is legal counsel to KFI only, and does not represent any other party to this Agreement. In light of these and other relevant facts it is further acknowledged that no party shall be construed to be solely responsible for the drafting hereof, and therefore any ambiguity shall not be construed against any party as the alleged draftsman of this Agreement.

13.6 Cooperation and Further Assurances. Each party agrees, without

further consideration, to cooperate and diligently perform any further acts, deeds and things and to execute and deliver any documents that may from time to time be reasonably necessary or otherwise reasonably required to consummate, evidence, confirm and/or carry out the intent and provisions of this Agreement, all without undue delay or expense.

13.7 Interpretation.

13.7.1 Entire Agreement/No Collateral Representations. Each party

expressly acknowledges and agrees that this Agreement, the Stock Purchase Agreement, the Singh Employment Agreement, the License Agreement, the KFI/Singh Agreement and the KFI Stock Repurchase Agreement: (i) are the final expression of the parties agreements with respect to the subject matter hereof and thereof and are the complete and exclusive statements of the terms of such agreement; (ii) supersedes any prior or contemporaneous agreements, promises, assurances, guarantees, representations, understandings, conduct, proposals, conditions, commitments, acts, course of dealing, warranties, interpretations or terms of any kind, oral or written (collectively and severally, the "Prior Agreements"), and that any such Prior Agreements are of no force or effect except as expressly set forth herein and therein; and (iii) may not be varied, supplemented or

contradicted by evidence of Prior Agreements. Any agreement hereafter made shall be ineffective to modify, supplement or discharge the terms of this Agreement, in whole or in part, unless such agreement is in writing and signed by the party against whom enforcement of the modification or supplement is sought.

13.7.2 Waiver. No breach of any agreement or provision herein

contained, or of any obligation under this Agreement, may be waived, nor shall any extension of time for performance of any obligations or acts be deemed an extension of time for performance of any other obligations or acts contained herein, except by written instrument signed by the party to be charged or as otherwise expressly authorized herein. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or a waiver or relinquishment of any other agreement or provision or right or power herein contained.

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13.7.3 Remedies Cumulative. Except as otherwise provided in this

Agreement, the remedies of each party under this Agreement, the Stock Purchase Agreement, the Singh Employment Agreement, the License Agreement, the KFI Stock Repurchase Agreement, and the KFI/Singh Agreement are cumulative and shall not exclude any other remedies to which such party may be lawfully entitled.

13.7.4 Severability. If any term or provision of this Agreement or

the application thereof to any Person or circumstance shall, to any extent, be determined to be invalid, illegal or unenforceable under present or future laws effective during the term of this Agreement, then and, in that event: (i) the performance of the offending term or provision (but only to the extent its application is invalid, illegal or unenforceable) shall be excused as if it had never been incorporated into this Agreement, and, in lieu of such excused provision, there shall be added a provision as similar in terms and amount to such excused provision as may be possible and be legal, valid and enforceable, and (ii) the remaining part of this Agreement (including the application of the offending term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable) shall not be affected thereby and shall continue in full force and effect to the fullest extent provided by law.

13.7.5 No Third Party Beneficiary. The parties specifically disavow

any desire or intention to create any third party beneficiary obligations, and specifically declare that no third party shall have any rights hereunder or any right of enforcement hereof.

13.7.6 No Reliance Upon Prior Representation. The parties

acknowledge that no other party has made any oral representation or promise which would induce them prior to executing this Agreement to change their position to their detriment, partially perform, or part with value in reliance upon such representation or promise; the parties acknowledge that they have taken such action at their own risk; and the parties represent that they have not so changed their position, performed or parted with value prior to the time of their execution of this Agreement.

13.7.7 Headings; References; Incorporation; Gender. The headings

used in this Agreement are for convenience and reference purposes only, and shall not be used in construing or interpreting the scope or intent of this Agreement or any provision hereof. References to this Agreement shall include all amendments or renewals thereof. All cross-references in this Agreement, unless specifically directed to another agreement or document, shall be construed only to refer to provisions within this Agreement, and shall not be construed to be referenced to the overall transaction or to any other agreement or document. Any exhibit referenced in this Agreement shall be construed to be incorporated in this Agreement. As used in this Agreement, each gender shall be deemed to include the other gender, including neutral genders or genders appropriate for entities, if applicable, and the singular shall be deemed to include the plural, and vice versa, as the context requires.

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13.8 Enforcement.

13.8.1 Applicable Law. This Agreement and the rights and remedies of

each party arising out of or relating to this Agreement (including, without limitation, equitable remedies) shall be solely governed by, interpreted under, and construed and enforced in accordance with the laws (without regard to the conflicts of law principles thereof) of the State of Delaware, as if this agreement were made, and as if its obligations are to be performed, wholly

within the State of Delaware.

13.8.2 Consent to Jurisdiction; Service of Process. Any action or

proceeding arising out of or relating to this Agreement shall be filed in and heard and litigated solely before the state courts of California located within the County of Los Angeles. Each party generally and unconditionally accepts the exclusive jurisdiction of such courts and to venue therein, consents to the service of process in any such action or proceeding by certified or registered mailing of the summons and complaint in accordance with the notice provisions of this Agreement, and waives any defense or right to object to venue in said courts based upon the doctrine of "Forum Non Conveniens". Each party irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement.

13.8.3 Attorneys' Fees and Costs. If any party institutes or should

the parties otherwise become a party to any Action Or Proceeding based upon or arising out of this Agreement including, without limitation, to enforce or interpret this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights in connection herewith, or for any other relief, including equitable relief, in connection herewith, the Prevailing Party in any such Action Or Proceeding, whether or not such Action Or Proceeding proceeds to final judgment or determination, shall be entitled to receive from the non-Prevailing Party as a cost of suit, and not as damages, all Costs And Expenses of prosecuting or defending the Action Or Proceeding, as the case may be, including, without limitation, reasonable Attorneys' And Other Fees.

13.9 Notices. Any notice, approval, disapproval, consent, waiver, or other

communication (collectively, "Notices") required or permitted to be given under this Agreement shall be in writing and shall be delivered personally or mailed, certified or registered United States mail, postage prepaid, return receipt requested, or sent by Federal Express or other reliable overnight carrier for next business day delivery, or by fax. All Notices shall be deemed delivered (a) if personally served, when actually delivered to the address of the person to whom such Notice is given, (b) if sent via Federal Express or other overnight courier for next business day delivery, one (1) business day following the date on which the Notice is given to Federal Express or other overnight courier, (c) if by mail, three (3) days following deposit in the United States mail, or (d) if by fax, when the transmitting telecopier machine has confirmed that the Notice has been completed or sent without error. All Notices shall be addressed to the party to whom such Notice is to be given at the party's address set forth below or as such party shall otherwise direct by Notice sent pursuant to this Section 13.9:

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If to the Company: Korn/Ferry International Futurestep, Inc.
c/o Korn/Ferry International
1800 Century Park East, Suite 900
Los Angeles, California 90067
Attention: Man Jit Singh, President
Telephone: (310) 843-4100
Telecopier: (310) 553-8640

If to KFI: Korn/Ferry International
1800 Century Park East, Suite 900
Los Angeles, California 90067
Attention: Peter L. Dunn, Vice Chairman
Telephone: (310) 843-4100
Telecopier: (310) 553-8640

With a copy to: Michael C. Cohen, Esq.
Morrison & Foerster LLP
555 West Fifth Street, 35th Floor
Los Angeles, California 90013
Telephone: (213) 892-5404
Telecopier: (213) 892-5454

If to Singh: Mr. Man Jit Singh
1050 Brooklawn Drive
Los Angeles, CA 90077
Telephone: (310) 278-1572
Telecopier: (310) 278-1572

With a copy to: Paul H. Irving, Esq.
Manatt, Phelps & Phillips LLP
11355 W. Olympic Boulevard
Los Angeles, CA 90064
Telephone: (310) 312-4000
Telecopier: (310) 312-4224

13.10 Spousal Consent; Change in Marital Status. Each individual Shareholder

who is married at the time any Shares are acquired by such Shareholder, shall cause his or her spouse to execute and deliver a Consent of Spouse of Shareholder in the form of Exhibit A hereto immediately upon acquisition of any such Shares and as a condition thereof. In the event that the Shareholder's marital status is altered by dissolution or divorce or by the death of the Shareholder's spouse, any interest of his or her former spouse, whether as community property or as a result of a property settlement agreement, a divorce decree or other legal proceeding, may be purchased and shall be sold by the Shareholder's former spouse or his or her estate in the same manner and at the same time as the Shareholder's Shares are purchased under this Agreement. Each individual Shareholder agrees to notify the Company of any change in marital status,

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including, without limitation, marriage, dissolution of marriage, divorce or death of spouse, within then (10) days after the occurrence of any such event. Each individual Shareholder agrees to cause any spouse who has not signed a Consent of Spouse of Shareholder in the form of Exhibit A hereto to do so at the time notice is given to the Company under this Section.

13.11 Counterparts. This Agreement may be executed in counterparts, each of

which shall be deemed an original, and all of which together shall constitute one and the same instrument, binding on all parties hereto. Any signature page of this Agreement may be detached from any counterpart of this Agreement and re-attached to any other counterpart of this Agreement identical in form hereto by having attached to it one or more additional signature pages.

13.12 Assignment. Except as otherwise expressly provided in this Agreement,

no party hereto may assign their rights or delegate their duties under this Agreement without the prior written consent of all of the other parties hereto; provided, however, that KFI may, without the consent of any other party hereto, assign its rights and delegate its duties under this Agreement to any Person which acquires all or substantially all of the assets of KFI, either through a purchase of such assets, by merger, consolidation or otherwise.

IN WITNESS WHEREOF, the Company and the Shareholders have executed this Agreement in counterparts.

KORN/FERRY INTERNATIONAL,
a California corporation

By: /s/ Peter L. Dunn

Peter L. Dunn, Vice Chairman

KORN/FERRY INTERNATIONAL
FUTURESTEP, INC.
a Delaware corporation

By: /s/ Man Jit Singh

Man Jit Singh, President

/s/ Man Jit Singh

MAN JIT SINGH

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APPENDIX

CERTAIN DEFINITIONS

1. "Action Or Proceeding" means any and all claims, suits, actions, notices, inquiries, proceedings, hearings, arbitrations or other similar proceedings, including appeals and petitions therefrom, whether formal or informal, governmental or non-governmental, or civil or criminal.

2. "Affiliate" means with respect to any person or entity ("Person No. 1"), any other person or entity which either (i) directly or indirectly owns or controls Person No. 1, or (ii) is directly or indirectly owned or controlled by Person No. 1, or (iii) is under direct or indirect common control with Person No. 1. The term "control" (and its corollaries) includes, without limitation, ownership of interests representing a majority of total voting power in an entity, and "ownership" (and its corollaries) includes, without limitation, ownership of a majority of the equity interests in an entity.

3. "Agreement" means this Agreement and all agreements, exhibits, schedules and appendices expressly annexed hereto.

4. "Approved Reorganization Transaction" means a Reorganization Transaction which has been approved by KFI pursuant to this Agreement.

5. "Attorneys' And Other Fees" means attorneys' fees, accountants' fees, fees of other professionals, witness fees (including experts engaged by the parties, but excluding shareholders, officers, employees or partners of the parties), and any and all other similar fees incurred in the prosecution or defense of an Action Or Proceeding.

6. "Call Rights" shall mean collectively, the IPO Call Rights and the

Other Call Rights.

7. "Company Competitive Business" means any business which competes, directly or indirectly, in part or in whole, with any business now or hereafter conducted or engaged in (a) by the Company, or (b) by any Person in which the Company has an equity interest, either directly or indirectly, which affords the Company more than ten percent (10%) of the voting power of such Person.

8. "Company Competitor" means any Person (other than KFI or any Affiliate of KFI) who (a) engages, directly or indirectly, in any Company Competitive Business, or (b) becomes an organizer, investor, lender, partner, joint venturer, stockholder, officer, director, employee, manager, consultant, supplier, vendor, agent, lessor or lessee of or to any Company Competitive Business, or (c) otherwise in any manner associates with, or aids or abets, or gives information or financial assistance to any Company Competitive Business.

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9. "Costs And Expenses" means the cost to take depositions, the cost to arbitrate a dispute, if applicable, and the costs and expenses of travel and lodging incurred with respect to an Action Or Proceeding.

10. "Directors" or "directors" means the members of the Board of Directors of the Company and includes the Designated Directors (as this term is defined in Section 2.1.1(b) below).

11. "Director Approval" means the vote of at least a majority of the directors present at a meeting at which a quorum of directors is present or the written consent of at least a majority of the directors.

12. "EBITDA" means earnings before interest expense, taxes, depreciation and amortization, determined in accordance with generally accepted accounting principles, consistently applied.

13. "Involuntary Transfer" when used with reference to the Shares means any gift of the Shares or any right or interest therein, any other assignment, transfer or other disposition of any of the Shares or any right or interest therein, without consideration, any pledge, grant of a security interest in or other hypothecation of any of the Shares or any right or interest therein, or any other involuntary Transfer or Transfer by operation of law, of any of the Shares or any right or interest therein.

14. "IPO" means an initial public offering of equity securities by the Company of KFI, as the context requires, pursuant to an effective registration statement filed under the Securities Act of 1933, as amended.

15. "Job Placement Competitive Business" means any business which competes, directly or indirectly, in part or in whole, with any one or more of the following businesses or services, regardless of the medium through which such business is conducted or such service is provided, whether on the Internet (or world wide web) or otherwise: (a) executive search, recruiting and/or job placement services for employers and/or employees, (b) employment consulting services, (c) career counseling, (d) team development services, (e) research services relating to employment, (f) the accumulation, circulation, development and/or publication of information, surveys, studies, statistical data, and articles pertaining to executive recruiting, jobs, job placement, compensation and similar human resources and employment-related services, (g) the creation and/or maintenance of one or more databases of available employment opportunities or jobs, (h) the creation and/or maintenance of a job listings or job positions service and/or database, and/or (i) the creation and/or maintenance of one or more databases of candidates available or potentially available for employment.

16. "Job Placement Competitor" means any Person who (a) engages, directly or indirectly, in any Job Placement Competitive Business, or (b) becomes an organizer, investor, lender, partner, joint venturer, stockholder, officer, director, employee, manager, consultant, supplier, vendor, agent, lessor or lessee of or to any Job Placement Competitive Business, or (c)

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otherwise in any manner associates with, or aids or abets, or gives information or financial assistance to any Job Placement Competitive Business.

17. "KFI Competitive Business" means any business which competes, directly or indirectly, in part or in whole, with any business now or hereafter conducted or engaged in (a) by KFI or its Affiliates, or (b) by any Person (other than the Company) in which KFI or an Affiliate of KFI has an equity interest, either directly or indirectly, which affords KFI or such Affiliate more than ten percent (10%) of the voting power of such Person.

18. "KFI Competitor" means any Person (other than KFI or any Affiliate of KFI) who (a) engages, directly or indirectly, in any KFI Competitive Business, or (b) becomes an organizer, investor, lender, partner, joint venturer, stockholder, officer, director, employee, manager, consultant, supplier, vendor, agent, lessor or lessee of or to any KFI Competitive Business, or (c) otherwise in any manner associates with, or aids or abets, or gives information or financial assistance to any KFI Competitive Business.

19. "KFI Objection" means either one or more of the following events: (a) if the "KFI Directors" (as this term is used in this Shareholders Agreement) constitute a majority of the Company's directors, they affirmatively vote against an IPO or refuse to vote in favor of an IPO, and all of the other directors of the Company affirmatively request and vote in favor of the IPO, or (b) KFI declines to give its written consent to such an IPO pursuant to Section 3.2 of this Agreement, or (c) KFI exercises any other right afforded to it in the Company's Certificate of Incorporation (as amended) or, in any other contract, to object to and prevent the IPO.

20. "Permitted Transfer" means any of the following Transfers: (a) the issuance or sale of Stock (or options therefor) by the Company to employees for the primary purpose of soliciting or retaining their employment; or (b) a Sale pursuant to an IPO; or (c) a Transfer pursuant to an Approved Reorganization Transaction; or (d) any Transfer to a Permitted Transferee, or (e) any Transfer pursuant to the exercise of a Put Right or a Call Right, or (f) any Transfer pursuant to the Stock Purchase Agreement.

21. "Permitted Transferee" means any of the following Persons so long as such Person does not constitute a Non-Permitted Transferee within the meaning of Section 4.2 of this Agreement and such Person executes a document, in form and substance satisfactory to the Company and its counsel, pursuant to which such person agrees to be bound by the provisions of this Agreement, and agrees to receive and hold the Shares subject to all of the provisions and restrictions contained in this Agreement: (a) a transferor's spouse and lineal descendants; (b) a transferor's personal representatives and heirs; (c) any trustee of any trust created primarily for the benefit of the transferor or any or all of such spouse and lineal descendants; (d) or any revocable trust created by a transferor; or (e) following the death of a transferor, all beneficiaries under such trust; or (f) the transferor, in the case of a transfer from any Permitted Transferee back to its transferor; or (g) any entity all of the equity of which is directly or indirectly owned by the transferor; or (h) in the case of KFI, any of KFI's shareholders or the shareholders of any Affiliate of KFI.

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22. "Per Share Book Value" shall mean that figure obtained when the net worth of the Company is divided by the total number of shares of Stock of the Company issued and outstanding. The net worth of the Company shall be determined in accordance with generally accepted accounting principles, consistently applied ("GAAP"). The net worth of the Company as shown on the fiscal year end statement of the Company for the year immediately preceding the exercise of the option with respect to the Transfer in question, shall be binding and conclusive on the parties hereto. Each fiscal year end statement of the Company shall be prepared in accordance with GAAP.

23. "Per Share Market Value" shall apply only if as of the date of occurrence of the applicable event specified in Section 10.2, an IPO had been consummated by the Company, in which event the "Per Share Market Value" shall mean (i) If the Shares are listed on any established stock exchange or a national market system, including, without limitation, The Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, the closing sales price of a Share (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day preceding the date of occurrence of the applicable event referred to in Section 9.1, or (ii) if the Shares are quoted by a recognized securities dealer but selling prices are not reported, the mean between the high bid and low asked prices for the Shares on the last market trading day preceding the date of the occurrence of the applicable event referred to in Section 9.1.

24. "Person" means any individual, firm, corporation, trust, partnership (limited or general), limited liability company, sole proprietorship or association.

25. "Prevailing Party" means the party who is determined to prevail by the court after its consideration of all damages and equities in an Action Or Proceeding, whether or not the Action Or Proceeding proceeds to final judgment. The court shall retain the discretion to determine that no party is the Prevailing Party in which case no party shall be entitled to recover its Costs And Expenses.

26. "Put Rights" shall mean collectively the IPO Put Rights and the Other Put Rights.

27. "Reorganization Transaction" means any merger or consolidation involving the Company, any recapitalization of the Company, or any transaction involving the sale of all or substantially all of the assets of the Company.

28. "Sale", "Sell" or "Sold" when used with reference to the Shares means any voluntary sale, assignment, transfer or other disposition of any of the Shares or any right or interest therein, for consideration, directly or indirectly.

29. "Shareholders" means KFI, Singh and all other Persons who acquire Stock and who are required to be bound by the provisions of this Agreement, and agree to receive and hold the Stock subject to all of the provisions and restrictions contained in this Agreement.

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30. "Shares" means all of the issued and outstanding shares of the capital stock of the Company now owned or hereafter acquired by the Shareholders, including, without limitation, the shares purchased pursuant to the Stock Purchase Agreement.

31. "Stock" means all issued and outstanding shares of the voting capital stock of the Company and includes the Shares.

32. "Stockholders" or "stockholders" means the record owners of Stock and includes the Shareholders to the extent of their ownership of Stock.

33. "Stockholder Approval" means the affirmative vote of at least a majority of the Stockholders of the Company at a meeting at which a quorum of Stockholders is present in person or by proxy, or the written consent of Stockholders owning at least a majority of the issued and outstanding shares of the common stock of the Company.

34. "Transfer" when used with reference to the Shares means any sale, transfer, assignment, pledge, grant of a security interest in, gift or other disposition of any of the Shares, or any right or interest therein, with or without consideration, directly or indirectly, whether voluntary or involuntary, by operation of law or otherwise.

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EXHIBIT A

CONSENT OF SPOUSE OF SHAREHOLDER

The undersigned, being the spouse of the Shareholder, Man Jit Singh, who has signed the within Agreement or otherwise become bound by the provisions of the within Agreement, hereby acknowledges that he or she has read and is familiar with the provisions of said Agreement and agrees to be bound thereby and join therein to the extent, if any, that his or her agreement and joinder may be necessary. The undersigned hereby agrees that the Shareholder may join in any future amendment or modifications of said Agreement without any further signature, acknowledgment, agreement or consent on his or her part; and the undersigned hereby further agrees that any interest which he or she may have in the shares of common stock of the Company held by Shareholder shall be subject to the provisions of said Agreement.

By: _____

Name: _____

Dated: _____

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AMENDED AND RESTATED
STOCK REPURCHASE AGREEMENT

THIS AMENDED AND RESTATED STOCK REPURCHASE AGREEMENT (this "Agreement") is entered into as of January 15, 1999 by and between Korn/Ferry International, a California corporation (the "Company"), and Man Jit Singh, an individual (the "Shareholder"), and subject to the terms and conditions herein, amends, restates and supercedes in its entirety the previous Stock Repurchase Agreement dated as of December 1, 1997 between the Company and the Shareholder (the "Prior Agreement").

RECITALS

A. The Company is a corporation duly organized and existing under the laws of the State of California.

B. The Company and the Shareholder have entered into a certain KFI/Singh Agreement dated as of December 1, 1997 (the "KFI/Singh Agreement"), pursuant to which the Shareholder had acquired certain shares of the Company's common stock, no par value per share ("Common Stock").

C. Pursuant to the KFI/Singh Agreement, the Shareholder purchased shares of Common Stock, which required that the Shareholder enter into the Prior Agreement.

D. In August 1998, the Company's shareholders approved an initial public offering of Common Stock (the "IPO"), and authorized the Company's officers to offer to amend and restate the Shareholder's Prior Agreement, subject to the consummation of the IPO.

E. The Shareholder and the Company now desire to enter into this Agreement to amend and restate and supercede in its entirety the Prior Agreement, effective upon the closing of the IPO, if and only if the IPO is consummated on or before June 30, 1999. In the event the IPO is not consummated on or before June 30, 1999, the Prior Agreement shall remain in full force and effect.

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

1. Definitions; KFI/Singh Agreement Amendment; Effectiveness.

(a) Definitions. For all purposes of this Agreement, the following definitions apply:

"Act" means the Securities Act of 1933, as amended.

"Change in Control" means any of the following:

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

(ii) Approval by the shareholders of the Company of a plan of merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company's consolidated assets (collectively, a "Business Combination"), other than a Business Combination (1) in which all or substantially all of the holders of Voting Stock hold or receive, directly or indirectly, 70% or more of the voting securities of the entity resulting from the Business Combination (or a parent company), (2) after which no person (other than any one or more of the Excluded Persons) owns more than 30% of the voting securities of the resulting entity (or a parent company) who did not own directly or indirectly at least that amount of Voting Stock immediately before the Business Combination, or (3) after which one or more Excluded Persons own an aggregate number of shares of the voting securities of the resulting entity (or a parent company) at least equal to the aggregate number of shares of voting securities of the resulting entity (or a parent company) owned by any other person (A) who is not an Excluded Person (except for any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act), if any, and (B) who owned more than 30% of the Voting Stock; or

(iii) Approval by the Board of Directors of the Company and (if required by law) by shareholders of the Company of a plan to consummate the dissolution or complete liquidation of the Company; or

(iv) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company and any new director of the Company (other than a director designated by a person who has entered into an agreement or arrangement with the Company to effect a transaction described in clause (i) or (ii) of this definition) whose appointment, election, or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for

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election was previously so approved, cease for any reason to constitute a majority of the Board of Directors.

For purposes of determining whether a Change in Control has occurred, a transaction includes all transactions in a series of related transactions.

"Controlled Trust" means a trust owned or controlled by the Shareholder for which the Shareholder has the authority and power to dispose of all such trust's assets.

"Equity Committee" means a committee appointed by the Board of Directors of the Company. The Equity Committee shall be comprised of three members of the Board of Directors of the Company, at least two of whom shall not be officers or employees of the Company.

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

"Excluded Person" means

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

"Fiscal Year" means the fiscal year of the Company as specified from time to time by the Board of Directors of the Company, which is currently specified as the period beginning each May 1 and ending each April 30.

"401(k) Plan" means the Korn/Ferry International Employee Tax Deferred Savings Plan.

"Public Sale" means a sale in the principal securities market in which the shares then trade, irrespective of whether such sale is in a registered offering, a Rule 144 transaction, or otherwise.

"Purchase Note" means that certain promissory note executed by the Shareholder in favor of the Company pursuant to the KFI/Singh Agreement which was delivered by the Shareholder to the Company in payment for the Shares purchased pursuant to the KFI/Singh Agreement.

"Shares" means the shares of Common Stock owned by the Shareholder (after giving effect to the Stock Split) immediately prior to the consummation of the IPO (other than shares of Common Stock held in the 401(k) Plan), plus any shares of Common Stock

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thereafter distributed to the Shareholder out of the 401(k) Plan, as the same may be increased, decreased or changed as a result of stock splits (other than the Stock Split), stock dividends, reclassifications, mergers (including re-incorporations) or other similar events.

"Stock Split" means the four-to-one split of the Common Stock approved by the Shareholders of the Company in July 1998 but not effective as of the date of this Agreement.

"Transfer" means to sell, transfer, hypothecate, pledge or to otherwise dispose of.

"Value" means, for purposes of determining the price at which a Share will be sold or purchased by the Company pursuant to Section 8 of this

Agreement, (i) the greater of \$2.79 (after giving effect to the Stock Split; \$11.15 on a pre Stock Split basis) or the price at which such Share was purchased by the Shareholder (after giving effect to the Stock Split) plus (A) interest for the period from the date of this Agreement until April 30, 1999 at Bank of America's (or its successor's) reference rate as of the date of this Agreement and (B) interest for each 12 month or lesser period thereafter at such reference rate as of the day (April 30th) immediately prior to commencement of such period, or (ii) such other value or formula for determining value as may be specified from time to time after the date hereof in a resolution adopted by the Board of Directors of the Company in its sole and absolute discretion, so long as it yields a value greater than the value determined in accordance with clause (i) above. Value shall be equitably and appropriately adjusted to reflect the effect of stock splits (other than the Stock Split), stock dividends, reclassifications, mergers (including re-incorporations) or other similar events.

(b) Amendment of the KFI/Singh Agreement.

To the extent that any term or provision of the KFI/Singh Agreement is inconsistent with any term or provision of this Agreement, any such term or provision of the KFI/Singh Agreement shall be deemed to have been amended to conform to this Agreement.

(c) Effectiveness.

This Agreement shall become effective, and will amend and restate and supercede the Prior Agreement in its entirety, upon the closing of the IPO, if and only if the IPO is consummated on or before June 30, 1999. In the event the IPO is not consummated on or before June 30, 1999, the Prior Agreement shall remain in full force and effect.

2. Prohibition on Transfer. Except as expressly set forth

herein, the Shareholder shall not Transfer the Shares or any interest therein held by the Shareholder without the prior written consent of the Equity Committee. Any purported Transfer not in compliance with the terms and conditions of this Agreement shall be void and of no force and effect. If the Shares are Transferred, in whole or part, voluntarily or involuntarily, by operation of law or otherwise, by reason of insolvency or bankruptcy of the Shareholder, or otherwise in violation of the provisions of this Agreement, the recipient of any of the Shares shall not be registered on the books of the Company, shall not be recognized as the holder of the Shares by the Company and shall not acquire any voting, dividend or other rights in respect thereof.

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3. Investment Intent. The Shareholder represents and warrants to the

Company that the Shareholder's purchase of the Shares was for his or her own account, for investment purposes only and not with a view to distribution or resale of the Shares. Except as expressly set forth herein, the Shareholder may not sell the Shares unless the sale has been registered under the Act or unless such registration is not required and if requested by the Company, the Shareholder shall provide the Company with an opinion of counsel satisfactory to the Company to that effect.

4. Legends on Certificates. The Shareholder understands and agrees

that the certificates issued to him or her representing the Shares:

(a) Shall contain the following legend so long as the Shares are subject to the restrictions specified in this Agreement, and the Company's transfer agent shall be provided a "stop transfer" instruction with respect to the Shares to the same effect:

"TRANSFER OF THE SHARES REPRESENTED BY THIS CERTIFICATE MAY REQUIRE REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND THIS CERTIFICATE MAY NOT BE TRANSFERRED WITHOUT EVIDENCE OF SUCH REGISTRATION OR OF AN EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE ACT. THE RIGHT TO SELL, TRANSFER OR OTHERWISE DISPOSE OF OR PLEDGE THE SHARES REPRESENTED BY THIS CERTIFICATE WITHOUT THE WRITTEN CONSENT OF THE EQUITY COMMITTEE OF KORN/FERRY INTERNATIONAL IS RESTRICTED BY THE TERMS OF AN AMENDED AND RESTATED STOCK REPURCHASE AGREEMENT. A COPY OF SUCH AGREEMENT IS ON FILE AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS."

(b) May contain additional legends as required by state securities laws.

(c) Shall contain the following legend, if the Shareholder is not a U.S. Person, as defined in the Act and Regulation S promulgated thereunder:

"THE TRANSFER OF THESE SECURITIES IS PROHIBITED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF

5. Permitted Transfers At and Following IPO.

(a) The Shareholder may Transfer Shares according to the following schedule:

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Date - - - - -	Maximum Number of Shares Permitted to be ----- Transferred -----
Consummation of the IPO ("IPO Date")	Up to ten percent (10%) of the Shareholder's Shares
On the second anniversary of the IPO Date or thereafter	Up to thirty percent (30%) of the Shareholder's Shares See clause (c) below
On the third anniversary of the IPO Date or thereafter	Up to fifty percent (50%) of the Shareholder's Shares (See clause (c) below)
On the fourth anniversary of the IPO Date or thereafter	All of the Shareholder's Shares

(b) Prior to the fourth anniversary of the IPO Date, any transferee of Shares other than in a Public Sale or pursuant to Section 5(h), as a condition to such Transfer, shall agree in writing to abide by the restrictions on Transfer specified in Section 5. Shares which have been Transferred by means of a Public Sale shall cease to be subject to this Agreement.

(c) The foregoing percentages in the schedule in Section 5(a) of the maximum number of Shares permitted to be Transferred shall be applied to the sum of the Shareholder's Shares not yet Transferred as of the time of a Transfer, plus any Shares previously Transferred pursuant to the above schedule. The resulting number shall then be reduced by the number of Shares previously Transferred to determine the maximum number of Shares permitted to be Transferred.

As an example by way of illustration only, and not reflective of the Shareholder's actual number of Shares, assume the Shareholder had 100 Shares on the IPO Date, and that an additional 50 shares of Common Stock were beneficially owned by the Shareholder in the 401(k) Plan. As of the IPO Date, the Shareholder would have the right to Transfer up to ten percent (10 shares) of the 100 shares held by the Shareholder outside of the 401(k) Plan, subject to any required repayment of any outstanding Shareholder notes. (Note: Sale of shares of Common Stock beneficially owned under the 401(k) Plan are governed by the provisions of the 401(k) Plan rather than this Agreement.)

If the Shareholder sold 10 shares on the IPO Date, and, before the second anniversary of the IPO Date, received a distribution from the 401(k) Plan of 50 shares of Common Stock, the Shareholder would have 140 Shares on the second anniversary of the IPO Date. As of the second anniversary of the IPO Date (or thereafter), the Shareholder would be permitted to Transfer up to thirty percent of the sum of (i) the Shares then held (140 shares) plus (ii) the Shares previously

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sold (10 shares), less (iii) the Shares previously sold, which equals 35 shares, subject to any required repayment of any outstanding Shareholder notes.

(d) The Shares sold on the IPO Date shall be sold in the IPO.

(e) The Shareholder agrees to provide the Company written notice of his or her intention to Transfer by means of a Public Sale any Shares of Common Stock at least ninety (90) days prior to any sales on the second or third anniversary of the IPO Date (or thereafter). The Shareholder agrees to provide the Company written notice of his or her intention to Transfer by means of a Public Sale any Shares of Common Stock at least fifteen (15) days prior to any sales on the fourth anniversary (or thereafter).

(f) Any shares of Common Stock beneficially owned by the Shareholder in the 401(k) Plan shall not count towards determining the Shares which may be Transferred unless and until such shares of Common Stock are distributed out of the 401(k) Plan directly to the Shareholder or rolled over into an individual

retirement account or similar plans designated by the Shareholder.

(g) The Shareholder may Transfer any or all of the Shares without the consent of the Equity Committee if such Transfer is made to a Controlled Trust in connection with bona fide estate planning efforts by the Shareholder. Prior to any Transfers made to a Controlled Trust pursuant to this Section 5(g), the Shareholder shall provide to the Company a certificate, in form acceptable to the Company, to the effect that the entity to which the Shares are being Transferred is a Controlled Trust as defined in this Agreement.

(h) The Shareholder may Transfer any Shares (i) upon the Shareholder's death, (ii) upon the Shareholder's permanent incapacity, as determined by the Equity Committee, or (iii) upon a Change in Control. The restrictions in Section 5(a) shall not thereafter apply to any such Shares.

6. Permitted Pledges. Notwithstanding anything to the contrary

herein, up to ten percent (10%) of the Shares may be pledged by the Shareholder provided that the Company has released the Shareholder's pledge with respect to such Shares.

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7. Possession of Certificates. Upon the consummation of the IPO, the

Company shall hold the certificates evidencing the Shares as custodian to protect its interests hereunder, until the Shareholder has the right to Transfer all or a portion of the Shares in accordance with the terms of this Agreement. In furtherance thereof, the Shareholder shall execute and deliver (or shall herewith execute and deliver) to the Company assignments in blank, in the form of Exhibit A, for the Transfer of such certificates. The Company shall deliver to the Shareholder a receipt for such Shares in the form of Exhibit B. Upon the request of the Shareholder, when the Shareholder has the right to Transfer all or a portion of the Shares, the Company shall deliver those certificate(s) representing that portion of the Shares which may be Transferred to the Shareholder. After the consummation of the IPO and the completion of the transactions therein contemplated, this Agreement shall supersede the Custody Agreement dated as of January 15, 1999 executed by the Shareholder and the Company in connection with the IPO in connection with all matters pertaining to the custody of the Shares.

8. Repurchase of Shares by Company. The Company shall have the right

to repurchase any Shares until such Shares become Transferable under Sections 5(a) or 5(h) (whether or not thereafter so Transferred), on the following terms and conditions:

(a) (i) Upon an occurrence described in Section 8(b) hereof, and subject to any prohibitions on the purchase of Shares by the Company under applicable law or any agreement binding on the Company, the Shareholder shall sell, if the Company elects to purchase by providing the Shareholder a written notification of the Company's election (the "Repurchase Notification"), the Shares not permitted to be Transferred pursuant to Section 5 as of the date (the "Repurchase Date") specified in the Repurchase Notification on which such Shares are to be purchased by the Company at a price per share equal to the Value as of the Repurchase Date.

(ii) If the Shareholder is subject to Section 16(b) under the Exchange Act:

(A) the purchase by the Company under this Section 8 shall not occur at any time when such purchase will cause the Shareholder to incur liability under Section 16(b); and

(B) from the time the Shareholder receives the Repurchase Notification until the earlier of (1) the completion of the Company's purchase under this Section 8 or (2) six months after the Shareholder receives the Repurchase Notice, the Shareholder shall not acquire any shares of Common Stock (A) if such acquisition is not exempt from the applicability of Section 16(b) or (B) if such acquisition would cause the Shareholder to recognize a profit upon the Company's purchase under this Section 8.

(iii) If the Company is prohibited from purchasing the Shares on the Repurchase Date by applicable law or by any contract or agreement binding on the Company, including without limitation any loan agreement, the Company may elect to purchase the Shares as soon as practicable after it determines in good faith that it is legally and contractually permitted to do so.

(iv) If the Shareholder paid for all or any part of the Shares with a promissory note or notes payable to the Company, the Company shall, and the Shareholder

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hereby authorizes the Company to, offset against any amounts owing to the Shareholder by the Company with respect to the Shares purchased hereunder any amounts outstanding for principal or accrued interest under such promissory note(s). Any amount so offset shall be deducted from the purchase price to be paid under this Section upon the purchase of the Shares by the Company. The balance of the purchase price for the Shares, if any, shall be paid by the Company in cash.

(b) Subject to the first sentence of this Section 8, the Company shall have the right to purchase some or all of the Shareholder's Shares, if the Company determines that any one or more of the following past or present acts or events have occurred: (1) the Shareholder engages or has engaged in conduct or behavior that is significantly disruptive to the business, operations or reputation of the Company or any office of the Company, or (2) the Shareholder engages or has engaged in acts or conduct that are significantly injurious to or otherwise significantly harm the Company or any office of the Company, or (3) the Shareholder breaches or has breached any agreement with the Company, or (4) the Shareholder becomes or became affiliated with a competitor, or develops, or makes a contribution to, a competing enterprise, (5) the Shareholder discloses or has disclosed confidential Company information to a third party, (6) the Shareholder engages or has engaged in acts or conduct that are significantly disruptive to the relationship between the Company and any of its clients or (7) the Shareholder is or was convicted of a felony or other crime involving fraud, dishonesty or acts of moral turpitude. For purposes of this Section 8(b)(1)-(7), the "Company" shall include all of its affiliates and subsidiaries.

If the Company determines that any one or more of the foregoing acts or events has occurred, the Shareholder may appeal such determination to the Equity Committee within ten (10) days of receipt of written notice of such determination from the Company. The Equity Committee shall overturn the Company's determination or confirm the Company's determination (and determine whether the Shareholder's acts or conduct are curable by the Shareholder) and provide notice of its decision within thirty (30) days from the date of receipt of the notice of appeal. If the Equity Committee determines that the Shareholder's acts or conduct are curable, then the Shareholder shall be given thirty (30) days following notice of the Equity Committee's decision to cure such acts or conduct, and an additional ten (10) days to provide evidence reasonably satisfactory to the Equity Committee of such cure reasonably acceptable to the Equity Committee. If the Equity Committee determines that the acts or conduct are not curable, or the Shareholder does not provide evidence reasonably satisfactory to the Company that curable acts or conduct have been cured within the specified time period, then the Company's determination shall be final and binding.

The Shareholder acknowledges that the Company's purchase right under this Section 8(b) may be financially disadvantageous to the Shareholder if, at the time of the purchase, there is a large differential between the Value (as that term is defined herein) of the Shares to be purchased and the then market value of the shares of Common Stock.

For avoidance of doubt, it is agreed and understood that no Shares shall be subject to repurchase under this Section 8 that previously have become Transferable under Section 5(a) or 5(h) (whether or not so Transferred).

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9. Assignment of Purchase Rights. The Company may assign, in whole or part, its right to purchase the Shares under this Agreement to a designee(s).

10. Repurchase upon Change in Marital Status. In the event that the Shareholder's marital status is altered by dissolution or divorce or by the death of the Shareholder's spouse, any interest of his or her former spouse in the Shares not permitted to be Transferred pursuant to Section 5, whether as community property or as a result of a property settlement agreement, a divorce decree or other legal proceeding, may be purchased by the Company and shall be sold to the Company by the Shareholder's former spouse or his or her estate according to the provisions of this Agreement and at a price per share equal to the fair market value as of the date on which such Shares are to be purchased by the Company. The Shareholder agrees to notify the Company of any change in marital status, including, without limitation, marriage, dissolution of marriage, divorce or death of spouse; within ten (10) business days of said event. The Shareholder agrees to cause any spouse to sign a consent to this Agreement in the form of Exhibit C.

11. Amendment. No change, amendment or modification of this Agreement shall be valid unless it is in writing and signed by the Company and the Shareholder.

12. Remedies. The parties agree that the Company will be irreparably damaged in the event the agreements contained herein are not specifically enforced. If any dispute arises concerning the transfer of any Shares, an

injunction may be issued restraining any such transfer pending the determination of such controversy. In the event of any controversy, such rights or obligations shall be enforceable in a court by a decree of specific performance. Such remedy shall, however, be cumulative and not exclusive, and shall be in addition to any other remedy which the Company may have.

13. Expenses. Shareholder agrees to pay to the Company the amount of

any and all reasonable expenses, including, without limitation, reasonable attorneys' fees and expenses, which the Company may incur in connection with the enforcement of its rights hereunder.

14. Notices. Any notice required or permitted to be given hereunder

shall be in writing and shall be delivered via facsimile, first-class mail, postage prepaid, overnight courier, messenger or telecopier. Any communication so addressed and delivered shall be deemed to be given seven days after delivery and any communication delivered in person shall be deemed to be given when receipted for, or actually received by, an authorized officer of the recipient. All such communications, if intended for the Company, shall be addressed to the Company as follows:

Korn/Ferry International
1800 Century Park East
Suite 900
Los Angeles, California 90067
Attn.: Corporate Secretary

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and if intended for the Shareholder shall be addressed to the Shareholder at his or her address as shown on the Company's books. Any party may change his, her or its address for notice by giving notice thereof to the other party to this Agreement. A change of address notice by the Shareholder shall be recorded in the books of the Company as the Shareholder's address for notice unless the Shareholder otherwise instructs the Company.

15. Governing Law. All questions with respect to the construction of

this Agreement and the rights and liabilities of the parties hereto shall be governed by the internal laws of California, without giving effect to the conflict of law provisions thereof.

16. Successors and Assigns. Subject to the terms herein, this

Agreement shall inure to the benefit of, and shall be binding upon, the assigns, successors in interest, personal representatives, estates, heirs and legatees of each of the parties hereto. Nothing herein shall obligate the Company to obtain the consent of Shareholder if the Company undergoes a reorganization, restructuring or recapitalization, including without limitation, the acquisition by the Company of an entity or entities controlled by the Company in connection with the reincorporation of the Company in a state other than California.

17. Entire Agreement. This Agreement contains the entire Agreement

of the parties hereto and supersedes any prior written or oral agreements between them concerning the subject matter contained herein. Other than those contained in the KFI/Singh Agreement (as amended by the terms of this Agreement), there are no representations, agreements, arrangements or understandings, oral or written, between and among the parties hereto relating to the subject matter contained in this Agreement which are not fully set forth herein.

18. Counterparts. This Agreement may be executed in counterparts,

each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Waiver. No waiver of any right pursuant hereto or waiver of any

breach hereof shall be effective unless in writing and signed by the party waiving such right or breach. No waiver of any right or waiver of any breach shall constitute a waiver of any other or similar right or breach, and no failure to enforce any right hereunder shall preclude or affect the later enforcement of such right.

20. Captions. The captions of the various sections herein are solely

for the convenience of the parties hereto and shall not affect or control the meaning or construction of this Agreement.

21. Severability. Should any portion of this Agreement be declared

invalid and unenforceable, then such portion shall be deemed to be severable from this Agreement and shall not affect the remainder hereof.

22. Agreement Available for Inspection. An original copy of this

Agreement, together with all amendments, duly executed by the Company and the Shareholder, shall be delivered to the Secretary of the Company and maintained by him or her at the principal executive office of the Company and shall be available for inspection by any person requesting to see it.

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23. Additional Documents. The parties hereto agree to sign all

necessary documents and take all other actions necessary to carry out the provisions of this Agreement.

IN WITNESS, WHEREOF, the parties have executed this Amended and Restated Stock Repurchase Agreement as of the date first written above.

SHAREHOLDER

By: /s/ Man Jit Singh

Name: Man Jit Singh

KORN/FERRY INTERNATIONAL

By: /s/ Peter L. Dunn

Name: Peter L. Dunn

Title: Vice Chair, Corporate Secretary and General Counsel

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EXHIBIT A

IRREVOCABLE STOCK ASSIGNMENT

For good and valuable consideration pursuant to Section 7 of that certain Amended and Restated Stock Repurchase Agreement between the undersigned and Korn/Ferry International, the undersigned hereby sells, assigns and transfers to _____ shares of common stock of Korn/Ferry International, represented by Certificate No(s), _____ standing in the name of the undersigned on the books of said company.

By: _____

Name: Man Jit Singh

Dated: _____, 19__

WITNESS:

By: _____

Name: _____

Dated: _____, 19__

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EXHIBIT B

RECEIPT

(SAMPLE ONLY)

Korn/Ferry International, a California corporation (the "Company"), hereby acknowledges that it has received and is holding as custodian on behalf of _____, an officer of the Company ("Executive"), _____ shares of Company Common Stock (the "Shares"), represented by certificate(s) number _____, _____ and _____ issued on _____, 19 _____ in the name of Executive (copies of which are attached hereto), together with an Irrevocable Stock Assignment executed by Executive (the "Stock Assignment"). The Shares and the Stock Assignment are being held by the Company pursuant to and in accordance with the terms of that certain Amended and Restated Stock Repurchase Agreement between the Company and Executive, and any promissory note(s) and related Stock Pledge Agreement delivered by Executive to the Company in connection with the purchase of all or a portion of the Shares.

KORN/FERRY INTERNATIONAL

By: _____

Name: _____

Title: _____

Dated: _____, 19 _____

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EXHIBIT C

CONSENT OF SPOUSE OF SHAREHOLDER

The undersigned, being the spouse of the Shareholder, Man Jit Singh, who has signed the foregoing Amended and Restated Stock Repurchase Agreement, hereby acknowledges that he or she has read and is familiar with the provisions of said Agreement including but not limited to Section 11 herein and agrees to be bound thereby and join therein to the extent, if any, that his or her agreement and joinder may be necessary. The undersigned hereby agrees that the Shareholder may join in any future amendment or modifications of the Agreement without any further signature, acknowledgment, agreement or consent on his or her part; and the undersigned hereby further agrees that any interest which he or she may have in the Shares held by Shareholder shall be subject to the provisions of this Agreement.

By: _____

Name: _____

Dated: _____

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FORM OF
FIRST AMENDMENT
TO
STOCK PURCHASE AGREEMENT
DATED JUNE 2, 1995

This FIRST AMENDMENT (this "First Amendment") is entered into as of April 25, 1999, by and among Korn/Ferry International, a California corporation (the "Company"), Richard M. Ferry, as an individual ("Ferry"), Henry B. Turner and Peter W. Mullin, Trustees (collectively, the "Trustees") of the Richard M. Ferry and Maude M. Ferry 1972 Children's Trust (the "Trust"), California Community Foundation and Richard M. Ferry Co-Trustees (collectively, the "Co-Trustees") and the California Community Foundation (the "Foundation").

R E C I T A L S

WHEREAS, the Company, Ferry, the Trustees, the Trust, the Co-Trustees and the Foundation (collectively, the "Parties") entered into a Stock Purchase Agreement as of the 2nd day of June, 1995 (the "1995 Agreement") that provides, among other things, for the Company to repurchase shares of the Company's common stock, no par value per share (the "Common Stock") owned by Ferry and the Trust at Ferry's death (as defined in the 1995 Agreement, the "Ferry Stock");

WHEREAS, the Company has completed an initial public offering ("IPO") of the Common Stock;

WHEREAS, the Trust, the Co-Trustees and the Foundation are no longer shareholders of the Company;

WHEREAS, effective upon consummation of the IPO, the shares of Common Stock owned by Ferry immediately prior to consummation of the IPO (other than shares of Common Stock held in the Company's 401(k) Plan for the benefit of Ferry), plus any shares of Common Stock thereafter distributed to Ferry out of the 401(k) Plan (collectively, the "Shares"), became subject to a Stock Repurchase Agreement dated as of February 5, 1999 (the "1999 Agreement") with the Company that provides, among other things, for the restricted sale, transfer or disposition of the Shares, but removes any such restrictions upon the death of Ferry;

WHEREAS, the effectiveness of the 1999 Agreement eliminated the necessity for the Company to purchase all of the Ferry Stock upon the death of Ferry;

WHEREAS, the Company, Ferry, the Trustees, the Trust, the Co-Trustees and the Foundation desire to amend the 1995 Agreement to: (i) eliminate in its entirety the obligation of the Company to purchase all of the Ferry Stock from Ferry and the Trust upon the death of Ferry; (ii) eliminate in its entirety the obligation of Ferry and the Trust to sell all of the Ferry Stock to the Company upon the death of Ferry; and (iii) permit Ferry and/or the Trust or their joint designee to purchase any or all of the insurance policies maintained by the Company under the 1995 Agreement; and

WHEREAS, the Board of Directors of the Company, acting pursuant to Section 310 of the California General Corporation Law, has authorized by a vote sufficient without counting the vote of Ferry, who abstained from the vote on such proposal, the amendment of the 1995 Agreement to: (i) eliminate in its entirety the obligation of the Company to purchase all of the Ferry Stock from Ferry and the Trust upon the death of Ferry; (ii) eliminate in its entirety the obligation of Ferry and the Trust to sell all of the Ferry Stock to the Company upon the death of Ferry; and (iii) permit Ferry and/or the Trust or their joint designee to purchase any or all of the insurance policies maintained by the Company under the 1995 Agreement.

NOW, THEREFORE, BE IT RESOLVED, that the Parties hereto agree as follows:

I. Paragraph 2 of the 1995 Agreement entitled "PURCHASE OF THE INSURANCE POLICIES", shall be amended to permit Ferry and/or the Trust or their joint designee to purchase any or all of the insurance policies maintained by the Company under the 1995 Agreement by adding thereto a new subparagraph (e) as follows:

"(e) Notwithstanding anything in this Agreement to the contrary, Ferry and/or the Trust or any person or entity jointly designated by Ferry and the Trust shall have the absolute right at their respective sole option to purchase any or all of the Insurance Policies referred to in this Agreement at the "Insurance Policy Book Value" of each such Policy purchased, to be paid in cash. The determination as to which of Ferry, the Trust or any designee of Ferry

and the Trust shall have the right to purchase an Insurance Policy shall be a matter between Ferry and the Trust, shall be of no concern to the Company, and the Company shall only be required to sell an Insurance Policy if it receives a concurrent and unanimous direction from Ferry and the Trust. This Agreement and the rights and obligations of the parties under this Agreement, including the rights under this paragraph 2(e) of Ferry and the Trust or any designee of Ferry and the Trust, shall terminate and have no further force and effect upon the earlier to occur of (1) the purchase by Ferry and/or the Trust or any person or entity jointly designated by Ferry and the Trust of all of the Insurance Policies referred to in this Agreement or (2) November 17, 1999."

II. Paragraph 3 of the 1995 Agreement shall be deleted in its entirety to eliminate the obligation of the Company to purchase all of the Ferry Stock from Ferry and the Trust upon the death of Ferry.

III. Paragraphs 4, 5, 6, 7 and 8 of the 1995 Agreement shall be deleted in their entirety because they are no longer applicable.

Except for the changes indicated above in this First Amendment, all other provisions of the Agreement not amended, deleted or replaced hereby, shall remain in full force and effect.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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IN WITNESS WHEREOF, the undersigned have executed this First Amendment as of the date first above written.

KORN/FERRY INTERNATIONAL,
a California corporation

Address:
Korn/Ferry International
1800 Century Park East, Suite 900
Los Angeles, California 90067

By: _____
Peter L. Dunn

By: _____
Elizabeth S.C.S. Murray

Address:
Korn/Ferry International
1800 Century Park East, Suite 900
Los Angeles, California 90067

RICHARD M. FERRY

RICHARD M. FERRY AND MAUDE M.
FERRY 1972 CHILDREN'S TRUST

Address:
6116 Yucca
Paradise Valley, Arizona 85253

By: _____

HENRY B. TURNER, Trustee of the
Richard M. Ferry and Maude M.
Ferry 1972 Children's Trust

Address:
Mullin Consulting, Inc.
644 South Figueroa Street
Los Angeles, California 90017

By: _____

PETER W. MULLIN, Trustee of the
Richard M. Ferry and Maude M.
Ferry 1972 Children's Trust

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CALIFORNIA COMMUNITY
FOUNDATION AND RICHARD M. FERRY
CO-TRUSTEES

Address:
Korn/Ferry International
1800 Century Park East, Suite 900
Los Angeles, California 90067

By: _____
RICHARD M. FERRY, Co-Trustee

Address:
California Community Foundation

By: _____

606 South Olive Street, Suite 2400
Los Angeles, California 90014

JACK SHAKLEY, Co-Trustee
CALIFORNIA COMMUNITY FOUNDATION

Address:
California Community Foundation
606 South Olive Street, Suite 2400
Los Angeles, California 90014

By: _____

(Print Name) (Title)

RATIFICATION AND CONSENT

I, MAUDE M. FERRY, the wife of RICHARD M. FERRY, hereby certify that I have read the foregoing First Amendment to Stock Purchase Agreement dated June 2, 1995 and that I hereby approve said First Amendment to Stock Purchase Agreement dated June 2, 1995 and agree to be bound thereby.

MAUDE M. FERRY

EMPLOYMENT AGREEMENT

between

KORN/FERRY INTERNATIONAL

and

WINDLE B. PRIEM

May 1, 1999

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This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of the 1st day of May 1999, by and between KORN/FERRY INTERNATIONAL, a California corporation with its principal offices in Los Angeles, California (the "Company"), and WINDLE B. PRIEM, an individual (the "Executive").

1. Employment. The Company agrees to employ Executive and Executive

agrees to be employed by the Company upon the terms and conditions set forth in this Agreement.

2. Term of Employment. Executive's employment under this Agreement

will begin on May 1, 1999 and will continue for an initial term ending April 30, 2002. This Agreement will be automatically renewed for one two-year period; provided, however, that either the Company or Executive may terminate this Agreement at the end of the initial term by delivering to the other party at least 30 day's prior written notice of its election not to renew this Agreement. (In this Agreement, the delivery of such notice shall be referred to as a "failure to renew" the Agreement.)

3. Position, Duties and Responsibilities. Executive will serve as

Chief Executive Officer and President of the Company with duties and responsibilities customary to such offices. During the term of Executive's employment under this Agreement, the Company will use its best efforts to cause Executive to be a member of the Company's Board of Directors (the "Board"). Executive will report directly to and

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will perform such duties and functions consistent with Executive's position as are assigned to Executive, by the Board. At the request of the Board, Executive will serve as an officer or director of the Company's subsidiaries and other affiliates without additional compensation. Executive will devote substantially all of Executive's business time and attention to the performance of Executive's obligations, duties and responsibilities under this Agreement. Subject to Company policies applicable to senior executives generally, Executive may engage in personal, charitable, professional and investment activities, to the extent such activities do not conflict or interfere with Executive's obligations to, or Executive's ability to perform the normal duties and functions of Executive pursuant to this Agreement.

4. Annual Compensation.

(a) Base Salary. In consideration of Executive's services to the

Company pursuant to this Agreement, the Company will pay a Base Salary to Executive of \$600,000 annually, in accordance with its regular payroll practices (the "Base Salary"). The Board will review the level of the Base Salary at least annually, beginning in April 2000. The Board, acting in its discretion, may increase (but may not decrease) the annual rate of the Base Salary in effect at any time, unless the Board concludes that an across-the-board reduction in compensation is required for all executive officers of the Company, in which case the Executive's compensation shall be ratably reduced.

(b) Annual Cash Incentive Award. Executive will participate in the

Company's annual incentive cash bonus plan established for senior executives, with an

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annual target bonus equal to 100% of Base Salary and an annual maximum bonus of up to 200% of Base Salary. Executive's annual incentive bonus will be payable within 120 days after the end of the fiscal year for which it is earned. Such annual cash incentive award shall be considered earned only if Executive is employed by the Company as of the last day of the fiscal year to which the award applies.

5. Employee Benefit Programs and Perquisites.

(a) General. Executive will be entitled to participate in such

retirement or pension plans, stock option or other equity compensation plans, group health, long term disability and group life insurance plans, and any other welfare and fringe benefit plans, arrangements, programs and perquisites sponsored or maintained by the Company from time to time for the benefit of its senior executives generally, including four weeks paid vacation. In addition, in the event that Executive's employment is terminated by the Company without Cause (as defined in Section 6(c) hereof) or this Agreement terminates after the initial term, by Executive for Good Reason (as defined in Section 6(d) hereof) the Company shall provide Executive with post-retirement group health insurance

through the expiration of the initial term of this Agreement or any extension thereof, and such coverage shall be paid for by the Company. If COBRA coverage expires before the expiration of the initial term of this Agreement or any extension thereof, then the Company shall pay Executive an amount needed to secure comparable coverage through such expiration date. If Executive's employment is terminated for Cause or Executive voluntarily terminates (other than for Good Reason) his services hereunder prior to the expiration of the initial term of this

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Agreement or any extension thereof, then he only shall be entitled to post-retirement COBRA coverage at his expense. Unless otherwise stated, all provisions for COBRA coverage hereinafter shall be at Executive's expense.

(b) Reimbursement of Business Expenses. Executive is authorized to

incur reasonable expenses in accordance with the Company's written policy in carrying out Executive's duties and responsibilities under this Agreement, and the Company will promptly reimburse Executive for all such expenses that are so incurred upon presentation of appropriate vouchers or receipts, subject to the Company's expense reimbursement policies applicable to senior executive officers generally. Executive shall be reimbursed for reasonable legal fees incurred in connection with the negotiation and drafting of this Agreement.

(c) Conditions of Employment. Executive's place of employment during

the term of Executive's employment under this Agreement will be at the New York City and Boston offices of the Company, subject to regular business travel. The conditions of Executive's employment, including, without limitation, office space, office appointments, secretarial, administrative and other support, will be consistent with Executive's status as a senior executive officer of the Company.

6. Termination of Employment.

(a) Death. If Executive's employment with the Company terminates

before the end of the term by reason of Executive's death, then, as soon as practicable

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thereafter, the Company will pay to Executive's estate an amount equal to Executive's "Accrued Compensation" (as defined below), and all outstanding stock options held by Executive at the time of Executive's death will become fully vested (whether or not fully vested immediately prior to Executive's death) and remain exercisable until their originally scheduled expiration dates. Executive's spouse and covered dependents will be entitled to continue to participate in the Company's group health plan(s) after Executive's death for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the termination of Executive's employment by reason of Executive's death.

For purposes of this Agreement, the term "Accrued Compensation" means, as of any date, the amount of any unpaid Base Salary and annual incentive award unpaid and earned by Executive through the date in which such death occurs, plus any additional amounts and/or benefits payable to or in respect of Executive under and in accordance with the provisions of any employee plan, program or arrangement under which Executive is covered immediately prior to Executive's death. In the event Executive becomes disabled or dies before the end of an incentive year, the Board will have discretionary right, but not the obligation, to waive the requirement that Executive be employed for the entire year.

(b) Disability. If the Company terminates Executive's employment by reason

of Executive's "disability" (as defined below), then Executive will be entitled to (1) Executive's Accrued Compensation through Executive's employment termination date, (2) accelerated vesting of all outstanding stock options, and remain exercisable until

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their originally scheduled expiration dates, and (3) continued participation for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the termination of Executive's employment by reason of Executive's disability. For purposes of this Agreement, the term "disability" means any medically determinable physical or mental condition or impairment which prevents the Executive from performing the principal functions of Executive's duties that can be expected to result in death or that has lasted or can be expected to last for a period of 90 consecutive days or for shorter periods aggregating 180 days in any consecutive 12 month period as determined by an approved medical doctor.

For this purpose an approved medical doctor shall mean a medical doctor selected by the Company and Executive. If the parties cannot agree on a medical doctor, each party shall select a medical doctor and the two doctors shall select a third doctor who shall be the approved medical doctor for this purpose.

(c) Termination by the Company for Cause, Voluntary Termination by Executive or Failure to Renew by Executive. If the Company terminates Executive's employment for "Cause" (as defined below), or if Executive voluntarily terminates Executive's employment without "Good Reason" (as defined in Section 6(d) below) before the end of the stated term of this Agreement that is then in effect, or if Executive fails to renew this Agreement after the initial term, then the Company shall pay to Executive within 30 days after the date of such termination Executive's Accrued Compensation through the date Executive's employment terminates. For purposes of this Agreement, "Cause" means if (i) the Executive is convicted of a felony involving moral turpitude or (ii) the Executive engages in conduct that constitutes willful gross neglect or

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willful gross misconduct in carrying out his duties under this Agreement, resulting, in either case, in material economic harm to the Company, unless the Executive believed in good faith that such act or nonact was in the best interests of the Company.

(d) Termination by the Company Without Cause, by Executive for Good Reason or for Failure by the Company to Renew this Agreement Prior to Change in Control. If Executive's employment is terminated prior to a Change in Control by the Company without Cause or by Executive for "Good Reason" (defined below), or if the Company fails to renew this Agreement after the initial term for one additional two-year term (as provided for in Section 2) and prior to a Change in Control, then the following shall occur: (1) the Company shall pay to Executive within 30 days after the date of such termination Executive's Accrued Compensation; (2) the Company shall pay to Executive within 30 days after the date of such termination a lump sum payment equal to two times the then current Base Salary and target bonus; (3) continued participation in the Company's group health plan(s) at the same benefit level at which the Executive and the Executive's covered dependent(s) participated immediately before the termination of Executive's employment for a period of 2 years after such termination; and, thereafter, for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the termination of Executive's employment; and (4) accelerated vesting of all outstanding stock options held by Executive at the time of Executive's termination of employment, which options shall remain exercisable for their originally scheduled terms.

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For the purposes of this Agreement, "Good Reason" means, without the Executive's prior written consent, if

(A) the Company reduces Executive's duties or responsibilities or assigns him duties which are materially inconsistent with his duties or which impair his ability to function as Chief Executive Officer; or

(B) a reduction in the Executive's then current Base Salary or target award opportunity under the Company's annual incentive cash bonus plan or long-term performance incentive or the termination or material reduction of any employee benefit or perquisite enjoyed by him (other than as part of an across-the-board reduction applicable to all executive officers of the Company); or

(C) the Company fails to perform or breaches its obligations under any other material provision of this Agreement and does not correct such failure or breach (if correctable) within 60 days following receipt of notice thereof from Executive to the Company; or

(D) Executive's primary location of business is moved without Executive's consent by more than 50 miles from either of its present locations, Boston, Massachusetts or New York City; or

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(E) the Company reduces Executive's title or removes him as Chief Executive Officer; or

(F) the Company fails to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale or similar transaction.

(e) Termination by the Company Without Cause or by Executive for Good

Reason Following a Change in Control. If a Change in Control (as defined in Schedule A) occurs and if, within 12 months after the date on which the Change

in Control occurs, Executive's employment is terminated by the Company without Cause or by Executive for Good Reason, then Executive will be entitled to receive (1) Accrued Compensation through the termination date; (2) a single lump sum payment equal to 200% of Executive's annual Base Salary and maximum bonus in effect immediately prior to the date Executive's employment ends or the annual Base Salary and maximum bonus applicable to Executive just prior to the Change in Control event, whichever is higher; (3) continued participation in the Company's group health plan(s) at the same benefit level at which Executive and Executive's covered dependent(s) participated immediately before the termination of Executive's employment for a period of 2 years after such termination, and, thereafter, for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the termination of Executive's employment; and (4) accelerated vesting of any outstanding stock options held by Executive on the date

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Executive's employment terminates and which options shall remain exercisable for their originally scheduled terms.

(f) Notwithstanding anything herein to the contrary, if any amounts due to Executive under this Agreement and any other plan or program of the Company constitute a "parachute payment," as such term is defined in Section 280G(b) (2) of the Code, and the amount of the parachute payment, reduced by all federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, is less than the amount Executive would receive if he were paid three times his "base amount," as defined in Section 280G(b) (3) of the Code, less \$1.00, reduced by all federal, state and local taxes applicable thereto, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times his base amount less \$1.00. The determinations to be made with respect to this Section 6(f) shall be made by an accounting firm (the "Auditor") jointly selected by the Company and Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm that has not during the two years preceding the date of its selection acted, in any way, on behalf of the Company or any of its subsidiaries. If Executive and the Company cannot agree on the firm to serve as the Auditor, then Executive and the Company shall each select one such accounting firm and those two firms shall jointly select such an accounting firm to serve as the Auditor. If a determination is made by the Auditor that a reduction in the aggregate of all payments due to Executive upon a Change in Control is required by this Section 6(f), Executive shall have the right to specify the portion of such reduction, if any, that will be made under this Agreement and each plan or program of the Company. If he does not so

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specify within 60 days following the date of a determination by the Auditor pursuant to the preceding sentence, the Company shall determine, in its sole discretion, the portion of such reduction, if any, to be made under this Agreement and each plan or program of the Company.

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

7. No Mitigation; No Offset. Executive will have no obligation to seek

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

8. Confidential Information; Cooperation with Regard to Litigation.

(a) Nondisclosure of Confidential Information. During the term of

Executive's employment and thereafter, Executive will not, without the prior written consent of the Company, disclose to anyone (except in good faith in the ordinary course

of business to a person who will be advised by Executive to keep such information confidential) or make use of any Confidential Information (as defined below) except in the performance of Executive's duties hereunder or when required to do so by legal process, by any governmental agency having supervisory authority over the business of the Company or any of its Affiliates (as defined in Section 8(b) below) or by any administrative or legislative body (including a committee thereof) that requires Executive to divulge, disclose or make accessible such information. In the event that Executive is so ordered, he will give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such order.

(b) Definition of Confidential Information. For purposes of this

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

(c) Cooperation in Litigation. Executive will cooperate with the Company,

 during the term of Executive's employment and thereafter (including following Executive's termination of employment for any reason), by making Executive reasonably available to testify on behalf of the Company or any Affiliate in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to reasonably assist the Company or any such Affiliate in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company or any such Affiliate, as reasonably requested;

provided, however, that the same does not materially interfere with Executive's

 then current professional activities. The Company will reimburse Executive, on an after-tax basis, for all expenses reasonably incurred by Executive in connection with Executive's provision of testimony or assistance and if such assistance is provided after Executive's termination of employment, will pay Executive a per diem rate of \$2,000.

9. Non-solicitation. Executive will not induce or solicit, directly or

 indirectly, any employee of the Company or any Affiliate to terminate such employee's employment with the Company or any Affiliate during Executive's employment hereunder and for a period which is the longer of (a) the liquidity period provided in the Amended and Restated Stock Repurchase Agreement between the Company and Executive or (b) 24 months following the termination of this Agreement or any extensions hereto.

10. Stock Option Grant. On the day of the next regular meeting of

 the Board beginning in June 1999, Executive shall be granted an option (the "Option") to purchase 100,000 shares of Common Stock pursuant to the Company's Performance Award Plan and pursuant to the terms of the Stock Option Agreement attached as Exhibit A.

11. Remedies. If Executive commits a material breach of any of the

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

12. Resolution of Disputes. Any controversy or claim arising out of

 or relating to this Agreement or any breach or asserted breach hereof or questioning the validity and binding effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Section 11, shall be resolved by binding arbitration, to be held in New York City in accordance with the rules and procedures of the American Arbitration

Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Pending the resolution of any arbitration or court proceeding, the Company will continue payment of all amounts and benefits due Executive under this Agreement. All costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be

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borne by the respective party incurring such costs and expenses (with the limitation that, in no event, will the Executive be liable for more than two times the fees paid by Company for Company's counsel services in the arbitration or proceeding), but the Company shall reimburse Executive for such reasonable costs and expenses in the event he substantially prevails in such arbitration or court proceeding. Notwithstanding the foregoing, following a Change in Control, all reasonable costs and expenses (including fees and disbursements of counsel) incurred by Executive pursuant to this section shall be paid on behalf of or reimbursed to Executive promptly by the Company; provided, however, that

Executive shall repay such amounts to the Company if and to the extent the arbitrator(s) determine(s) that any of Executive's litigation assertions or defenses were in bad faith or frivolous.

13. Indemnification.

(a) Company Indemnity. If Executive is made a party, or is threatened

to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or any Affiliate or was serving at the request of the Company or any Affiliate as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Executive's alleged action in an official capacity while serving as a director, officer, member, employee or agent, then the Company will indemnify Executive and hold Executive harmless to the fullest extent legally permitted or

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

(b) No Presumption Regarding Standard of Conduct. Neither the failure of

the Company (including its Board, independent legal counsel or shareholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Executive under the preceding subsection (a) of this section that indemnification of Executive is proper because Executive has met the applicable standard of conduct, nor a determination by the Company (including its Board,

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independent legal counsel or shareholders) that Executive has not met such applicable standard of conduct, shall create a presumption that Executive has not met the applicable standard of conduct.

(c) Liability Insurance. The Company will continue and maintain a

directors and officers liability insurance policy covering Executive to the extent the Company provides such coverage for its other senior executive officers.

14. Effect of Agreement on Other Benefits. Except as specifically

provided in this Agreement, the existence of this Agreement shall not be

interpreted to preclude, prohibit or restrict Executive's participation in any other employee benefit or other plans or programs in which he currently participates.

15. Assignment; Binding Nature. This Agreement shall be binding upon

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

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16. Representations. The Company represents and warrants that it is

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

17. Entire Agreement. This Agreement contains the entire understanding and

agreement between the parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto.

18. Amendment or Waiver. No provision in this Agreement may be amended

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

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19. Severability. In the event that any provision or portion of this

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

20. Survivorship. The respective rights and obligations of the parties

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

21. Beneficiaries/References. Executive shall be entitled, to the extent

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

22. Governing Law. This Agreement shall be governed by and construed

and interpreted in accordance with the laws of California without reference to principles of conflict of laws.

23. Notices. Any notice given to a party shall be in writing and shall be

deemed to have been given when delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned at

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the address of the party indicated below or to such changed address as such

party may subsequently give such notice of:

If to the Company: KORN/FERRY INTERNATIONAL
1800 Century Park East
Los Angeles, CA 90067
Attention: Chairman of the Board

KORN/FERRY INTERNATIONAL
1800 Century Park East
Los Angeles, CA 90067
Attention: General Counsel

If to Executive: WINDLE B. PRIEM
101 Chestnut Street
Boston, Massachusetts 02108

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

KORN/FERRY INTERNATIONAL

By: /s/ Richard M. Ferry

Richard M. Ferry,
Chairman of the Board

EXECUTIVE

/s/ Windle B. Priem

Windle B. Priem

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SCHEDULE A
DEFINITION OF CHANGE IN CONTROL

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

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

(b) approval by the shareholders of the Company of a plan of merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company's consolidated assets as an entirety (collectively, a "Business Combination"), other than a Business Combination (1) in which all or substantially all of the holders of Voting Stock of the Company hold or receive directly or indirectly 70% or more of the voting securities of the entity resulting from the Business Combination (or a parent company), and (2) after which no Person (other than any one or more of the Excluded Persons) owns more than 30% of the voting securities of the resulting entity (or a parent company) who did not own directly or indirectly at least that percentage of Voting Stock immediately before the Business Combination, and (3) after which one or more Excluded Persons own an aggregate number of shares of the voting stock owned by one or more other Persons who are not Excluded Persons (except for any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act), each of whom owns more than 5% of the voting stock and who in the aggregate own more than 30% of the voting stock; or

(c) approval by the Board of Directors of the Company and (if required by law) by shareholders of the Company of a plan to

consummate the dissolution or complete liquidation of the Company; or

(d) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director designated by a person who has entered into an agreement or arrangement with the Company to effect a transaction described in clause (a) or (b) of this definition) whose appointment, election, or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were

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directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board (the "Incumbent Board");.

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

"Company" means Korn/Ferry International, a California corporation, its successors, and/or its subsidiaries, as the context requires.

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

"Excluded Person" means

(a) the Company

(b) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act);

(c) any employee benefit plan of Korn/Ferry International;

(d) any affiliates (within the meaning of the Exchange Act), successors, or heirs, descendants or members of the immediate families of the individuals identified in part (b) of this definition.

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

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EMPLOYMENT AGREEMENT
 BETWEEN
 KORN/FERRY INTERNATIONAL
 AND
 PETER L. DUNN
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EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into on the 29th day of April 1999, by and between KORN/FERRY INTERNATIONAL, a

California corporation with its principal offices in Los Angeles, California (the "Company"), and PETER L. DUNN (the "Executive").

1. Employment. The Company agrees to employ Executive and Executive

agrees to be employed by the Company upon the terms and conditions set forth in this Agreement.

2. Term of Employment. Executive's employment under this Agreement

will begin on April 1, 1999 and will continue for an initial term ending April 30, 2002. The term will automatically be renewed for successive two-year periods thereafter, until the first April 30th following the date on which Executive reaches age 65, at which time the term will expire, provided, however, that either the Company or the Executive may terminate this Agreement at the end of the initial term by delivering to the other party at least 120 days' prior written notice of such termination or at the end of any subsequent two-year renewal term by delivering to the other party at least 120 days' prior written notice of such termination. (In this Agreement, the delivery of such a notice shall be referred to as a "failure to renew" the Agreement.)

3. Position, Duties and Responsibilities. Executive will serve as

Vice Chairman and General Counsel (the principal legal officer) of the Company, with duties and responsibilities customary to such offices. Executive will be considered a senior executive officer of the Company and treated accordingly. During the term of Executive's employment under this Agreement, the Company will use its best efforts to cause Executive to be a member

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of the Company's Board of Directors (the "Board"). Executive will report directly to, and will perform such duties and functions consistent with Executive's position and as are assigned to Executive by the Chief Executive Officer of the Company or by the Board. At the request of the Board, Executive will serve as an officer or director of the Company's subsidiaries and other affiliates without additional compensation. Executive will devote substantially all of Executive's business time and attention to the performance of Executive's obligations, duties and responsibilities under this Agreement. Subject to Company policies applicable to senior executives generally, Executive may engage in personal, charitable, professional and investment activities to the extent such activities do not conflict or interfere with Executive's obligations to, or Executive's ability to perform the normal duties and functions of Executive pursuant to this Agreement.

4. Annual Compensation.

(a) Base Salary. The Company will pay a base salary to Executive at

an annual rate of \$465,000 (the "Base Salary") in accordance with its regular payroll practices. At least annually and in the month preceding the end of the fiscal year, the Board will review the level of Executive's Base Salary. The Board, acting in its discretion, may increase (but may not decrease) the annual rate of Base Salary in effect at any time, unless the Board concludes that an across-the-board reduction in compensation is required for all executive officers of the Company, in which case the Executive's compensation shall be ratably reduced. Except for determining Accrued Compensation (as defined herein), the base salary in effect as of any date of determination is fixed at \$465,000.

(b) Annual Incentive Cash Bonus. Executive will participate in the

Company's annual incentive cash bonus plan established for senior executives, with an annual

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target bonus equal to 100% of Base Salary, or such higher amount as may be determined by the Board ("Annual Target Bonus") and an annual maximum bonus equal to 200% of Base Salary, or such higher amount as may be determined by the Board ("Annual Maximum Bonus"). Executive's actual annual incentive cash bonus ("Annual Bonus") will be payable within ninety (90) days after the end of the fiscal year for which it is earned. Unless otherwise expressly determined by the Board, in its discretion, such Annual Bonus shall be considered earned only if Executive is employed by the Company as of the last day of the fiscal year to which such Annual Bonus applies.

5. Employee Benefit Programs and Perquisites.

(a) General. Executive will be entitled to participate in such

retirement or pension plans, stock option or other equity compensation plans, group health, long term disability and group life insurance plans, and any other

welfare and fringe benefit plans, arrangements, programs and perquisites sponsored or maintained by the Company from time to time for the benefit of its senior executives generally, including four weeks paid vacation. Unless otherwise expressly provided in this Agreement, all COBRA benefits referred to herein shall be paid by Executive.

(b) Reimbursement of Business Expenses. Executive is authorized to

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

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(c) Conditions of Employment. Executive's place of employment during

the term of Executive's employment under this Agreement will be at the Los Angeles office of the Company, subject to the need for reasonable business travel. The conditions of Executive's employment, including, without limitation, office space, office appointments, secretarial, administrative and other support, will be consistent with Executive's status as a senior executive officer of the Company.

6. Termination of Employment.

(a) Death. If Executive's employment with the Company terminates

before the end of the term by reason of Executive's death, then the following shall occur: (1) as soon as practicable thereafter and, in any event, not later than the thirtieth (30/th/) day following the date of Executive's death, the Company shall pay to Executive's estate an amount equal to Executive's "Accrued Compensation" (as defined in Section 6(i) below); (2) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's death will become fully vested as of the date of Executive's death (whether or not fully vested immediately prior to Executive's death) and remain exercisable until their originally scheduled expiration dates; and (3) Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) or at the same benefit level and to the same extent, if any, as such continued participation at the expense of the Company is available to the shareholder/officers of the Company generally and, thereafter, for such additional period as may be available under COBRA at their expense.

(b) Disability. If the Company terminates Executive's employment by

reason of Executive's "disability," (defined below), then the following shall occur: (1) the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's

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Accrued Compensation (as defined in Section 6(i) below); (2) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's termination will become fully vested as of the date of such termination (whether or not fully vested immediately prior to Executive's termination) and remain exercisable until their originally scheduled expiration dates; and (3) Executive and Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) or at the same benefit level and to the same extent, if any, as such continued participation at the expense of the Company is available to the shareholder/officers of the Company generally and, thereafter, for such additional period as may be available under COBRA at Executive's expense. For purposes of this Agreement, the term "disability" means any medically determinable physical or mental condition or impairment which prevents the Executive from performing the principal functions of Executive's duties with the Company that can be expected to result in death or that has lasted or can be expected to last for a period of ninety (90) consecutive days or for shorter periods aggregating one hundred and eighty (180) days in any consecutive twelve (12) month period, with such determination to be made by an approved medical doctor. For this purpose an approved medical doctor shall mean a medical doctor selected by the Company and Executive. If the parties cannot agree on a medical doctor, each party shall select a medical doctor and the two doctors shall select a third medical doctor who shall be the approved medical doctor for this purpose.

(c) Termination by the Company for Cause, Voluntary Termination by

Executive, Failure to Renew by Executive. If the Company terminates Executive's

employment for "Cause" (as defined below) or if Executive voluntarily terminates Executive's employment without "Good Reason" (as defined in Section 6(d) below)

this Agreement that is then in effect, or if Executive fails to renew this Agreement, then the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below), and nothing more. For purposes of this Agreement, termination for "Cause" shall mean termination because Executive is convicted of a felony involving moral turpitude.

(d) Termination by the Company Without Cause, by Executive for Good Reason

or for Failure by the Company to Renew Agreement Prior to Change in Control. If

Executive's employment is terminated prior to a Change in Control by the Company without Cause or by Executive for "Good Reason" (defined below), or if the Company fails to renew this Agreement prior to a Change in Control and before Executive reaches the age of 65, then the following shall occur: (1) the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below); (2) the Company shall pay to Executive within thirty (30) days after the date of such termination a lump sum payment equal to (i) two times the Base Salary plus (ii) two times the Annual Target Bonus for Executive for the incentive year in which such termination occurs; provided, however, that if Executive's employment

is terminated because the Company fails to renew this Agreement after the expiration of the first renewal period or after any subsequent renewal periods, then Executive shall be entitled only to (i) one times the Base Salary plus (ii) one times the Annual Target Bonus for Executive for the incentive year in which such termination occurs; (3) Executive, Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) at the expense of the Company at the same benefit level at which the Executive and the Executive's spouse and covered dependent(s) participated immediately before the termination of Executive's employment for a period of two

(2) years after such termination; provided, however, that if such termination is

due to the Company's failure to renew after the expiration of the first renewal period or any subsequent renewal periods, then the period of participation will only be for one (1) year after such termination, and thereafter for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the termination of Executive's employment; and (4) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's termination of employment will become fully vested as of the date of such termination (whether or not fully vested immediately prior to Executive's termination) and remain exercisable until their originally scheduled expiration dates.

For the purposes of this Agreement, "Good Reason" means

(A) any significant reduction by the Company of Executive's duties or responsibilities or the assignment by the Company to Executive of duties or responsibilities which are materially inconsistent with his duties or responsibilities or the assignment by the Company to Executive of duties or responsibilities which impair his ability to function as Vice Chairman and General Counsel (the principal legal officer) of the Company.

(B) the failure or refusal by the Company to satisfy any of its compensation obligations under this Agreement or any material reduction of any employee benefit or perquisite enjoyed by Executive other than as part of an across-the-board reduction applicable to all executive officers of the Company; or

(C) the failure by the Company to perform, or any breach by the Company of, its obligations under any provision of this Agreement which failure or breach is

not cured by the Company (if capable of being cured) within ninety (90) days following receipt of notice thereof from Executive to the Company; or

(D) Executive's primary location of business is moved more than fifty (50) miles from its present location without Executive's prior consent, provided that the participation, advocacy, vote or any other role assumed by Executive in any decision to move such offices more than fifty (50) miles from its present location shall not constitute his personal consent to move his primary location of business for purposes of this paragraph; or

(E) any change or reduction of Executive's titles without Executive's prior consent; or

(F) the failure of the Company to obtain the assumption in writing of all of its obligations to perform this Agreement by any successor to all or substantially all of the assets of the Company within fifteen (15) days after a merger, consolidation, sale or similar transaction.

(e) Termination for Performance Reason Prior to a Change in Control.

If Executive's employment is terminated by Company prior to a Change in Control for a "Performance Reason" (defined below), then (1) the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below); (2) the Company shall pay to Executive within thirty (30) days after the date of such termination a lump sum payment equal to (i) one and one-half times the Base Salary plus (ii) one and one-half times the Annual Target Bonus for Executive for the incentive year in which such termination occurs; (3) Executive and Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) at the expense

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of the Company at the same benefit level at which the Executive and the Executive's spouse and covered dependent(s) participated immediately before the termination of Executive's employment for a period of eighteen (18) months after such termination, and thereafter for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the termination of Executive's employment; and (4) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's termination of employment will become fully vested as of the date of such termination (whether or not fully vested immediately prior to Executive's termination) and remain exercisable until their originally scheduled expiration dates.

For the purposes of this Agreement, a "Performance Reason" occurs if (i) Executive has engaged in repeated failures to perform and has willfully neglected Executive's material duties in a manner which the Board determines is not reasonably satisfactory to it, (ii) the Board has determined in good faith that such repeated failures to perform and willful neglect have resulted in material harm to the Company, (iii) the Board gives Executive a detailed written description specifying Executive's alleged repeated failures to perform and the Executive's willful neglect of Executive's material duty as well as the material harm suffered by the Company, and provides Executive ninety (90) days to cure such repeated failures to perform and willful neglect and (iv) such repeated failures to perform and willful neglect by Executive continue after the expiration of the ninety (90) day cure period specified in the written notice from the Board.

(f) Following a Change of Control, Termination by the Company Without

Cause or For Performance Reasons or by Executive for Good Reason. If a Change in

Control (defined in Schedule A) occurs and if, within 12 months after the date

on which the Change in

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Control occurs, Executive's employment is terminated by the Company without Cause or by reason of the Company's failure to renew, or by the Company for a Performance Reason, or by Executive for Good Reason, then (1) the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below); (2) the Company shall pay to Executive within thirty (30) days after the date of such termination a lump sum payment equal to (i) two times the Base Salary or two times Executive's annual base salary in effect just prior to the Change in Control, whichever amount is higher, plus (ii) the higher of two times the Annual Maximum Bonus for Executive for the incentive year in which such termination occurs or two times the Annual Maximum Bonus for Executive applicable to the fiscal year preceding the year in which such termination occurs; (3) Executive and Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) at the expense of the Company at the same benefit level at which the Executive and the Executive's spouse and covered dependent(s) participated immediately before the termination of Executive's employment for a period of two (2) years after such termination, and, thereafter, for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the termination of Executive's employment; and (4) all outstanding stock options and other equity-type incentives held by executive at the time of Executive's termination of employment will become fully vested as of the date of such termination (whether or not fully vested immediately prior to Executive's termination) and remain exercisable until their originally scheduled expiration dates.

(g) Notwithstanding anything contained herein to the contrary, if any amounts due to Executive under this Agreement and any other plan or program of the Company constitute

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a "parachute payment," as such term is defined in Section 280G(b)(2) of the Internal Revenue Code, and the amount of the parachute payment, reduced by all federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Internal Revenue Code, is less than the amount Executive would receive if he were paid three times his "base amount," as defined in Section 280G(b)(3) of the Internal Revenue Code, less \$1.00, reduced by all federal, state and local taxes applicable thereto, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times his "base amount" less \$1.00. The determinations to be made with respect to this Section 6(g) shall be made by an accounting firm (the "Auditor") jointly selected by the Company and Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm that has not during the two years preceding the date of its selection acted, in any way, on behalf of the Company or any of its subsidiaries. If Executive and the Company cannot agree on the firm to serve as the Auditor, then Executive and the Company shall each select one such accounting firm and those two firms shall jointly select such accounting firm to serve as the Auditor. If a determination is made by the Auditor that a reduction in the aggregate of all payments due to Executive upon a Change in Control is required by this Section 6(g), Executive shall have the right to specify the portion of such reduction, if any, that will be made under this Agreement and each plan or program of the Company. If he does not so specify within sixty (60) days following the date of a determination by the Auditor pursuant to the preceding sentence, the Company shall determine, in its sole discretion, the portion of such reduction, if any, to be made under this Agreement and each plan or program of the Company.

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

(i) For purposes of this Agreement, the term "Accrued Compensation" means, as of any date, the amount of any unpaid Base Salary earned by Executive through the date of termination of Executive's employment and the amount of any unpaid Annual Bonus earned by Executive through the last day of the fiscal year of the Company immediately preceding the fiscal year in which Executive's employment is terminated, plus any additional amounts and/or benefits payable to or in respect of Executive under and in accordance with the provisions of any employee plan, program or arrangement under which Executive is covered immediately prior to termination of Executive's employment.

7. Reserved.

8. No Mitigation; No Offset. Executive will have no obligation to seek

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

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9. Confidential Information; Cooperation with Regard to Litigation.

(a) Nondisclosure of Confidential Information. During the term of

Executive's employment and thereafter, Executive will not, without the prior written consent of the Company, disclose to anyone (except in good faith in the ordinary course of business to a person who will be advised by Executive to keep such information confidential) or make use of any Confidential Information (as defined below). Notwithstanding the foregoing, Executive may disclose Confidential Information if such disclosure or use is required in connection with the performance of Executive's duties hereunder or is required by applicable law, legal process, by any governmental agency having supervisory authority over the business of the Company or any of its Affiliates (as defined in Section 9(b) below) or by any administrative or legislative body (including a committee thereof) that requires Executive to divulge, disclose or make accessible such information. In the event that Executive is so ordered, he will

give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such order.

(b) Definition of Confidential Information. For purposes of this

Agreement, "Confidential Information" means information concerning the business of the Company or any corporation or other entity that, directly or indirectly, controls, is controlled by or under common control with the Company (an "Affiliate") relating to any of its or their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of Confidential Information is information (1) that is or becomes part of the public domain, other than through the breach of this Agreement by Executive or (2) regarding the Company's business or industry properly acquired by Executive in the course of Executive's career as an executive in the Company's industry and independent of Executive's

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employment by the Company. For this purpose, information known or available generally within the trade or industry of the Company or any Affiliate shall be deemed to be known or available to the public and not to be Confidential Information.

(c) Cooperation in Litigation. Executive will cooperate with the Company

in any manner reasonably requested by the Company, during the term of executive's employment and thereafter (including following Executive's termination of employment for any reason), by making Executive reasonably available to testify on behalf of the Company or any Affiliate of the Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to reasonably assist the Company or any such Affiliate in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company or any such Affiliate, as reasonably requested; provided, however, that the same does not materially interfere with Executive's

then current professional activities. The Company will reimburse Executive, on an after-tax basis, for all expenses reasonably incurred by Executive in connection with Executive's provision of testimony or assistance and if such assistance is provided after Executive's termination of employment, will pay Executive a per diem rate of \$1,500.

10. Non-solicitation. During the term of Executive's employment and for a

period of 24 months thereafter or the remainder of the Liquidity Period (whichever is longer), Executive will not induce or solicit, directly or indirectly, any employee of the Company or of any Affiliate (other than Executive's secretary) to terminate such employee's employment with the Company or any Affiliate.

11. Remedies. If Executive commits a material breach of any of the

provisions contained in Section 10 above, then the Company will have the right to seek

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injunctive relief. Executive acknowledges that such a breach of Section 10 could cause irreparable injury and that money damages may not provide an adequate remedy for the Company. Nothing contained herein will prevent Executive from contesting any such action by the Company on the ground that no violation or threatened violation of Section 10 has occurred.

12. Resolution of Disputes. Any controversy or claim arising out of or

relating to this Agreement or any breach or asserted breach hereof or questioning the validity and binding effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Section 11, shall be resolved by binding arbitration, to be held in Los Angeles in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Pending the resolution of any arbitration or court proceeding, the Company will continue payment of all amounts and benefits due Executive under this Agreement. All costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be borne by the respective party incurring such costs and expenses. Notwithstanding the foregoing, following a Change in Control, all reasonable costs and expenses (including fees and disbursements of counsel) incurred by Executive pursuant to this section shall be paid on behalf of or reimbursed to Executive promptly by the Company; provided, however, that Executive shall repay such amounts to the Company if and to the extent the arbitrator(s) determine(s) that any of Executive's litigation assertions or defenses were in bad faith.

13. Indemnification.

(a) Company Indemnity. If Executive is made a party, or is threatened to

be made a party, to any action, suit or proceeding, whether civil, criminal,
administrative or

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

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(b) No Presumption Regarding Standard of Conduct. Neither the failure of

the Company (including its Board, independent legal counsel or shareholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Executive under the preceding subsection (a) of this section that indemnification of Executive is proper because Executive has met the applicable standard of conduct, nor a determination by the Company (including its Board, independent legal counsel or shareholders) that Executive has not met such applicable standard of conduct, shall create a presumption that Executive has not met the applicable standard of conduct.

(c) Liability Insurance. The Company will continue and maintain a

directors and officers liability insurance policy covering Executive to the extent the Company provides such coverage for its other senior executive officers.

14. Effect of Agreement on Other Benefits. Except as specifically provided

in this Agreement, the existence of this Agreement shall not be interpreted to preclude, prohibit or restrict Executive's participation in any other employee benefit or other plans or programs in which he currently participates.

15. Assignment; Binding Nature. This Agreement shall be binding upon and

inure to the benefit of the parties and their respective successors, heirs (in the case of Executive) and permitted assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred to the successor of the Company or its business if the assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than Executive's rights to compensation and

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benefits, which may be transferred only by will or operation of law, except as otherwise specifically provided or permitted hereunder.

16. Representations. The Company represents and warrants that it is fully

authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any Agreement between it and any other person, firm or organization. Executive represents and warrants

that there is no legal or other impediment which would prohibit Executive from entering into this Agreement or which would prevent Executive from fulfilling Executive's obligations under this Agreement.

17. Entire Agreement. This Agreement contains the entire understanding and ----- agreement between the parties concerning the subject matter thereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto. No provisions contained in the Repurchase Agreement or any future amendment thereto shall modify this Agreement in any manner whatsoever. To the extent the Repurchase Agreement is inconsistent with this Agreement, including Section 7 hereof, this Agreement shall supercede the Repurchase Agreement.

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

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provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.

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

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

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

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

23. Notices. Any notice required or permitted to be given by a party ----- hereto to another party hereto shall be in writing and shall be delivered either (a) by facsimile, (b) by first class mail, postage prepaid, (c) by overnight courier for next business day delivery, or (d) by messenger, in each case addressed to the party concerned at the address of the party indicated below or to such changed address as such party may subsequently give such notice of:

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If to the Company: KORN/FERRY INTERNATIONAL
1800 Century Park East
Los Angeles, CA 90067
Attention: Chief Executive Officer

If to Executive: PETER L. DUNN
5227 Shirley Avenue
Tarzana, CA 91356

Any notice so addressed and delivered shall be deemed to have been given (i) if delivered by facsimile, on the date of delivery as indicated by the written confirmation of the senders facsimile machine showing completion of such transmission without error, (ii) if delivered by first-class mail, five (5) days after deposit of such notice in the mail, (iii) if sent by overnight courier for next business day delivery, the business day following deposit of such notice with such courier, or (iv) if delivered by messenger, when delivered to the address specified above.

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

KORN/FERRY INTERNATIONAL

By: /s/ Windle B. Priem

Windle B. Priem, Chief Executive Officer and President

EXECUTIVE

/s/ Peter L. Dunn

Peter L. Dunn

SCHEDULE A
DEFINITION OF CHANGE IN CONTROL

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

(a) an acquisition by any Person (excluding one or more Excluded Persons) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act or a pecuniary interest in (either comprising "ownership of,") more than 30% of the Common Stock of the

Company or voting securities entitled to then vote generally in the election of directors of the Company ("Voting Stock"), after giving

effect to any new issue in the case of an acquisition from Korn/Ferry International; or

(b) Approval by the shareholders of the Company of a plan, or the consummation, of merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company's consolidated assets as an entirety (collectively, a "Business Combination"), other than a Business Combination (1) in which all or substantially all of the holders of Voting Stock of the Company hold or receive directly or indirectly 70% or more of the voting stock of the entity resulting from the Business Combination (or a parent company), and (2) after which no Person (other than any one or more of the Excluded Persons) owns more than 30% of the voting stock of the resulting entity (or a parent company) who did not own directly or indirectly at least that amount of Voting Stock immediately before the Business Combination, and (3) after which one or more Excluded Persons own an aggregate number of shares of voting stock at least equal to the aggregate number of shares of voting stock owned by any other Person who is not an Excluded person (except for any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act), if any, and who owns more than 30% of the voting stock; or

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

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

Notwithstanding the above provisions in this Schedule A, no Change in Control

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

"Company" means Korn/Ferry International, a California Corporation, its successors, and/or its Subsidiaries, as the context requires.

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

"Excluded Person" means

(a) the Company; or

(b) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act; or

(c) any employee benefit plan of Korn/Ferry International; or

(d) any affiliates (within the meaning of the Exchange Act), successors, or heirs, descendants or members of the immediate families of the individuals identified in party (b) of this definition.

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

EMPLOYMENT AGREEMENT
BETWEEN
KORN/FERRY INTERNATIONAL
AND
ELIZABETH S.C.S. MURRAY

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EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into on the 29th day of April 1999, by and between KORN/FERRY INTERNATIONAL, a California corporation with its principal offices in Los Angeles, California (the "Company"), and ELIZABETH S.C.S. MURRAY (the "Executive").

1. Employment. The Company agrees to employ Executive and Executive

agrees to be employed by the Company upon the terms and conditions set forth in this Agreement.

2. Term of Employment. Executive's employment under this Agreement

will begin on April 30, 1999 and will continue for an initial term ending April 30, 2002. The term will automatically be renewed for successive two-year periods thereafter, until the first April 30th following the date on which Executive reaches age 65, at which time the term will expire, provided, however, that either the Company or the Executive may terminate this Agreement at the end of the initial term by delivering to the other party at least 120 days' prior written notice of such termination or at the end of any subsequent two-year renewal term by delivering to the other party at least 120 days' prior written notice of such termination. (In this Agreement, the delivery of such a notice shall be referred to as a "failure to renew" the Agreement.)

3. Position, Duties and Responsibilities. Executive will serve as

Executive Vice President and Chief Financial Officer with duties and responsibilities customary to such offices. Executive will be considered a senior executive officer of the Company and treated accordingly. Executive will report directly to, and will perform such duties and functions

consistent with Executive's position and as are assigned to Executive by the Chief Executive Officer of the Company or by the Company's Board of Directors (the "Board"). At the request of the Board, Executive will serve as an officer or director of the Company's subsidiaries and other affiliates without additional compensation. Executive will devote substantially all of Executive's business time and attention to the performance of Executive's obligations, duties and responsibilities under this Agreement. Subject to Company policies applicable to senior executives generally, Executive may engage in personal, charitable, professional and investment activities to the extent such activities do not conflict or interfere with Executive's obligations to, or Executive's ability to perform the normal duties and functions of Executive pursuant to this Agreement.

The Company agrees that Executive will be considered for future Board membership. Such consideration will depend on a number of factors including, without limitation, the following: (a) the views of the Nominating Committee of

the Board; (b) the willingness of the Board to elect additional inside directors to the Board; (c) the needs of the Board at the time a Board vacancy develops and whether the Chief Financial Officer or another candidate would be the most appropriate candidate for election to the Board; (d) other factors.

4. Annual Compensation.

(a) Base Salary. The Company will pay a base salary to Executive at

an annual rate of \$350,000 in accordance with its regular payroll practices. At least annually and in the month preceding the end of the fiscal year, the Board will review the level of Executive's

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Base Salary. The Board, acting in its discretion, may increase (but may not decrease) the annual rate of Base Salary in effect at any time, unless the Board concludes that an across-the-board reduction in compensation is required for all executive officers of the Company, in which case the Executive's compensation shall be ratably reduced. The base salary in effect as of any date of determination is referred to hereinafter as the "Base Salary."

(b) Annual Incentive Cash Bonus. Executive will participate in the

Company's annual incentive cash bonus plan established for senior executives, with an annual target bonus equal to 100% of Base Salary, or such higher amount as may be determined by the Board ("Annual Target Bonus") and an annual maximum bonus equal to 200% of Base Salary, or such higher amount as may be determined by the Board ("Annual Maximum Bonus"). Executive's actual annual incentive cash bonus ("Annual Bonus") may be payable after thirty (30) days after the end of the fiscal year for which it is earned, but not later than ninety (90) days after the end of the fiscal year for which it is earned. Unless otherwise expressly determined by the Board, in its discretion, such Annual Bonus shall be considered earned only if Executive is employed by the Company as of the last day of the fiscal year to which such Annual Bonus applies.

5. Employee Benefit Programs and Perquisites.

(a) General. Executive will be entitled to participate in such

retirement or pension plans, stock option or other equity compensation plans, group health, long term disability and group life insurance plans, and any other welfare and fringe benefit plans, arrangements, programs and perquisites sponsored or maintained by the Company from time to time for the benefit of its senior executives generally, including four weeks paid vacation.

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Unless otherwise expressly provided in this Agreement, all COBRA benefits referred to herein shall be paid by Executive.

(b) Reimbursement of Business Expenses. Executive is authorized to

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

(c) Conditions of Employment. Executive's place of employment during

the term of Executive's employment under this Agreement will be at the Los Angeles office of the Company, subject to the need for reasonable business travel. The conditions of Executive's employment, including, without limitation, office space, office appointments, secretarial, administrative and other support, will be consistent with Executive's status as a senior executive officer of the Company.

6. Termination of Employment.

(a) Death. If Executive's employment with the Company terminates

before the end of the term by reason of Executive's death, then the following shall occur: (1) as soon as practicable thereafter and, in any event, not later than the thirtieth (30/th/) day following the date of Executive's death, the Company shall pay to Executive's estate an amount equal to Executive's "Accrued Compensation" (as defined in Section 6(i) below); (2) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's death will become fully vested as of the date of Executive's death (whether or not fully vested immediately prior to Executive's death) and remain exercisable until their originally scheduled expiration dates; and

(3) Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) or at the same benefit level and to the same extent, if any, as such continued participation at the expense of the Company is available to the shareholder/officers of the Company generally and, thereafter, for such additional period as may be available under COBRA at their expense.

(b) Disability. If the Company terminates Executive's employment by reason

of Executive's "disability," (defined below), then the following shall occur: (1) the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below); (2) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's termination will become fully vested as of the date of such termination (whether or not fully vested immediately prior to Executive's termination) and remain exercisable until their originally scheduled expiration dates; and (3) Executive and Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) or at the same benefit level and to the same extent, if any, as such continued participation at the expense of the Company is available to the shareholder/officers of the Company generally and, thereafter, for such additional period as may be available under COBRA at Executive's expense. For purposes of this Agreement, the term "disability" means any medically determinable physical or mental condition or impairment which prevents the Executive from performing the principal functions of Executive's duties with the Company that can be expected to result in death or that has lasted or can be expected to last for a period of ninety (90) consecutive days or for shorter periods aggregating one hundred and eighty (180) days in any consecutive twelve (12) month period, with such determination to be made by an approved medical doctor. For this purpose an

approved medical doctor shall mean a medical doctor selected by the Company and Executive. If the parties cannot agree on a medical doctor, each party shall select a medical doctor and the two doctors shall select a third medical doctor who shall be the approved medical doctor for this purpose.

(c) Termination by the Company for Cause, Voluntary Termination by

Executive, Failure to Renew by Executive. If the Company terminates Executive's employment for "Cause" (as defined below) or if Executive voluntarily terminates Executive's employment without "Good Reason" (as defined in Section 6(d) below) before the end of the stated term of this Agreement that is then in effect, or if Executive fails to renew this Agreement, then the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below), and nothing more. For purposes of this Agreement, termination for "Cause" shall mean termination because Executive is convicted of a felony involving moral turpitude.

(d) Termination by the Company Without Cause, by Executive for Good Reason

or for Failure by the Company to Renew Agreement Prior to Change in Control. If Executive's employment is terminated prior to a Change in Control by the Company without Cause or by Executive for "Good Reason" (defined below), or if the Company fails to renew this Agreement prior to a Change in Control and before Executive reaches the age of 65, then the following shall occur: (1) the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below); (2) the Company shall pay to Executive within thirty (30) days after the date of such termination a lump sum payment equal to (i) two times the then current Base Salary plus (ii) two times the Annual Target Bonus for Executive established for the incentive year in which such termination

occurs; provided, however, that if Executive's employment is terminated because the Company fails to renew this Agreement, then Executive shall be entitled only to (i) one times the then current Base Salary plus (ii) one times the Annual Target Bonus for Executive established for the incentive year in which such termination occurs; (3) Executive, Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) at the expense of the Company at the same benefit level at which the Executive and the Executive's spouse and covered dependent(s) participated immediately before the termination of Executive's employment for a period of two (2) years after such termination; provided, however, that if such termination is due to the Company's failure to renew, then the period of participation will only be for one (1) year after such termination, and thereafter for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the

termination of Executive's employment; and (4) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's termination of employment will become fully vested as of the date of such termination (whether or not fully vested immediately prior to Executive's termination) and remain exercisable until their originally scheduled expiration dates.

For the purposes of this Agreement, "Good Reason" means

(A) any significant reduction by the Company of Executive's duties or responsibilities or the assignment by the Company to Executive of duties or responsibilities which are materially inconsistent with her duties or responsibilities or the assignment by the Company to Executive of duties or responsibilities which impair her ability to function as Executive Vice President and Chief Financial Officer.

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(B) the failure or refusal by the Company to satisfy any of its compensation obligations under this Agreement or any material reduction of any employee benefit or perquisite enjoyed by Executive other than as part of an across-the-board reduction applicable to all executive officers of the Company; or

(C) the failure by the Company to perform, or any breach by the Company of, its obligations under any provision of this Agreement which failure or breach is not cured by the Company (if capable of being cured) within ninety (90) days following receipt of notice thereof from Executive to the Company; or

(D) Executive's primary location of business or the Company's headquarters is moved more than fifty (50) miles from its present location without Executive's prior consent, provided that the participation, advocacy, vote or any other role assumed by Executive in any decision to move such offices more than fifty (50) miles from her primary location of business or its present location, as applicable, shall not constitute her personal consent to move her primary location of business or its present location for purposes of this paragraph; or

(E) any change or reduction of Executive's titles without Executive's prior consent; or

(F) the failure of the Company to obtain the assumption in writing of all of its obligations to perform this Agreement by any successor to all or substantially all of the assets of the Company within fifteen (15) days after a merger, consolidation, sale or similar transaction.

(e) Termination for Performance Reason Prior to a Change in Control. If

Executive's employment is terminated by Company prior to a Change in Control for a

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"Performance Reason" (defined below), then (1) the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below); (2) the Company shall pay to Executive within thirty (30) days after the date of such termination a lump sum payment equal to (i) one times the then current Base Salary plus (ii) one times the Annual Target Bonus for Executive established for the incentive year in which such termination occurs; (3) Executive and Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) at the expense of the Company at the same benefit level at which the Executive and the Executive's spouse and covered dependent(s) participated immediately before the termination of Executive's employment for a period of twelve (12) months after such termination, and thereafter for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which Executive participated prior to the termination of Executive's employment; and (4) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's termination of employment will become fully vested as of the date of such termination (whether or not fully vested immediately prior to Executive's termination) and remain exercisable until their originally scheduled expiration dates.

For the purposes of this Agreement, a "Performance Reason" occurs if (i) Executive has engaged in repeated failures to perform and has willfully neglected Executive's material duties in a manner which the Board determines is not reasonably satisfactory to it, (ii) the Board has determined in good faith that such repeated failures to perform and willful neglect have resulted in material harm to the Company, (iii) the Board gives Executive a detailed written description specifying Executive's alleged repeated failures to perform and the Executive's willful neglect of Executive's material duty as well as the material harm suffered by

the Company, and provides Executive ninety (90) days to cure such repeated failures to perform and willful neglect and (iv) such repeated failures to perform and willful neglect by Executive continue after the expiration of the ninety (90) day cure period specified in the written notice from the Board.

(f) Following a Change of Control, Termination by the Company Without

Cause or For Performance Reasons or by Executive for Good Reason. If a Change in

Control (defined in Schedule A) occurs and if, within 12 months after the date

on which the Change in Control occurs, Executive's employment is terminated by the Company without Cause or by reason of the Company's failure to renew, or by the Company for a Performance Reason, or by Executive for Good Reason, then (1) the Company shall pay to Executive within thirty (30) days after the date of such termination Executive's Accrued Compensation (as defined in Section 6(i) below); (2) the Company shall pay to Executive within thirty (30) days after the date of such termination a lump sum payment equal to (i) two times the then current Base Salary or two times Executive's annual base salary in effect just prior to the Change in Control, whichever amount is higher, plus (ii) the higher of two times the Annual Maximum Bonus for Executive for the incentive year in which such termination occurs or two times the Annual Maximum Bonus for Executive applicable to the fiscal year preceding the year in which such termination occurs; (3) Executive and Executive's spouse and covered dependents will be entitled to continued participation in the Company's group health plan(s) at the expense of the Company at the same benefit level at which the Executive and the Executive's spouse and covered dependent(s) participated immediately before the termination of Executive's employment for a period of two (2) years after such termination, and, thereafter, for such additional period as may be available under COBRA or under any post-retirement group health plan or arrangement in which

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Executive participated prior to the termination of Executive's employment; and (4) all outstanding stock options and other equity-type incentives held by executive at the time of Executive's termination of employment will become fully vested as of the date of such termination (whether or not fully vested immediately prior to Executive's termination) and remain exercisable until their originally scheduled expiration dates.

(g) Notwithstanding anything contained herein to the contrary, if any amounts due to Executive under this Agreement and any other plan or program of the Company constitute a "parachute payment," as such term is defined in Section 280G(b)(2) of the Internal Revenue Code, and the amount of the parachute payment, reduced by all federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Internal Revenue Code, is less than the amount Executive would receive if he were paid three times her "base amount," as defined in Section 280G(b)(3) of the Internal Revenue Code, less \$1.00, reduced by all federal, state and local taxes applicable thereto, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times her "base amount" less \$1.00. The determinations to be made with respect to this Section 6(g) shall be made by an accounting firm (the "Auditor") jointly selected by the Company and Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm that has not during the two years preceding the date of its selection acted, in any way, on behalf of the Company or any of its subsidiaries. If Executive and the Company cannot agree on the firm to serve as the Auditor, then Executive and the Company shall each select one such accounting firm and those two firms shall jointly select such accounting firm to serve as the Auditor. If a determination is made by the Auditor that a reduction in the aggregate of all payments due to Executive upon a Change in Control is required by this Section 6(g), Executive

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shall have the right to specify the portion of such reduction, if any, that will be made under this Agreement and each plan or program of the Company. If he does not so specify within sixty (60) days following the date of a determination by the Auditor pursuant to the preceding sentence, the Company shall determine, in its sole discretion, the portion of such reduction, if any, to be made under this Agreement and each plan or program of the Company.

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

(i) For purposes of this Agreement, the term "Accrued Compensation" means, as of any date, the amount of any unpaid Base Salary earned by Executive through the date of termination of Executive's employment and the amount of any unpaid Annual Bonus earned by Executive through the last day of the fiscal year of the Company immediately preceding the fiscal year in which Executive's

employment is terminated, plus any additional amounts and/or benefits payable to or in respect of Executive under and in accordance with the provisions of any employee plan, program or arrangement under which Executive is covered immediately prior to termination of Executive's employment.

7. Reserved.

8. No Mitigation; No Offset. Executive will have no obligation to

seek other employment or to otherwise mitigate the Company's obligations to Executive arising from the termination of Executive's employment, and no amounts paid or payable to Executive by the Company under this Agreement shall be subject to offset for any remuneration in which Executive may become entitled from any other source after Executive's employment with the Company terminates, whether attributable to subsequent employment, self-employment or

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otherwise except that subsequent employment with an employer providing benefit plans shall result in an offset against benefits payable by the Company hereunder to the extent of the benefits paid by the new employer.

9. Confidential Information; Cooperation with Regard to Litigation.

(a) Nondisclosure of Confidential Information. During the term of

Executive's employment and thereafter, Executive will not, without the prior written consent of the Company, disclose to anyone (except in good faith in the ordinary course of business to a person who will be advised by Executive to keep such information confidential) or make use of any Confidential Information (as defined below). Notwithstanding the foregoing, Executive may disclose Confidential Information if such disclosure or use is required in connection with the performance of Executive's duties hereunder or is required by applicable law, legal process, by any governmental agency having supervisory authority over the business of the Company or any of its Affiliates (as defined in Section 9(b) below) or by any administrative or legislative body (including a committee thereof) that requires Executive to divulge, disclose or make accessible such information. In the event that Executive is so ordered, he will give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such order.

(b) Definition of Confidential Information. For purposes of this

Agreement, "Confidential Information" means information concerning the business of the Company or any corporation or other entity that, directly or indirectly, controls, is controlled by or under common control with the Company (an "Affiliate") relating to any of its or their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of Confidential Information is information (1) that is or becomes

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part of the public domain, other than through the breach of this Agreement by Executive or (2) regarding the Company's business or industry properly acquired by Executive in the course of Executive's career as an executive in the Company's industry and independent of Executive's employment by the Company. For this purpose, information known or available generally within the trade or industry of the Company or any Affiliate shall be deemed to be known or available to the public and not to be Confidential Information.

(c) Cooperation in Litigation. Executive will cooperate with the

Company in any manner reasonably requested by the Company, during the term of executive's employment and thereafter (including following Executive's termination of employment for any reason), by making Executive reasonably available to testify on behalf of the Company or any Affiliate of the Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to reasonably assist the Company or any such Affiliate in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company or any such Affiliate, as reasonably requested; provided, however, that the same does not materially interfere with Executive's
- -----
then current professional activities. The Company will reimburse Executive, on an after-tax basis, for all expenses reasonably incurred by Executive in connection with Executive's provision of testimony or assistance and if such assistance is provided after Executive's termination of employment, will pay Executive a per diem rate of \$1,500.

10. Non-solicitation. During the term of Executive's employment and

for a period of 24 months thereafter or the remainder of the Liquidity Period

(whichever is longer), Executive will not induce or solicit, directly or indirectly, any employee of the Company or of

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any Affiliate (other than Executive's secretary) to terminate such employee's employment with the Company or any Affiliate.

11. Remedies. If Executive commits a material breach of any of the

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

12. Resolution of Disputes. Any controversy or claim arising out of

or relating to this Agreement or any breach or asserted breach hereof or questioning the validity and binding effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Section 11, shall be resolved by binding arbitration, to be held in Los Angeles in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Pending the resolution of any arbitration or court proceeding, the Company will continue payment of all amounts and benefits due Executive under this Agreement. All costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be borne by the respective party incurring such costs and expenses. Notwithstanding the foregoing, following a Change in Control, all reasonable costs and expenses (including fees and disbursements of counsel) incurred by Executive pursuant to this section shall be paid on behalf of or reimbursed to Executive promptly by the Company; provided, however, that Executive shall repay such amounts to the Company if and to the extent the

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arbitrator(s) determine(s) that any of Executive's litigation assertions or defenses were in bad faith.

13. Indemnification.

(a) Company Indemnity. If Executive is made a party, or is threatened

to made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or any Affiliate or was serving at the request of the Company or any Affiliate as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Executive's alleged action in an official capacity while serving as a director, officer, member, employee or agent, then the Company will indemnify Executive and hold Executive harmless to the fullest extent legally permitted or authorized by the Company's articles of incorporation, certificate of incorporation or bylaws or resolutions of the Company's Board to the extent not inconsistent with state laws, against all costs, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Executive in connection therewith, except to the extent attributable to Executive's gross negligence or fraud, and such indemnification shall continue as to Executive even if he has ceased to be a director, member, officer, employee or agent of the Company or Affiliate and shall inure to the benefit of Executive's heirs, executors and administrators. The Company will advance to Executive all reasonable costs and expenses to be incurred by Executive in connection with a Proceeding within 20 days after receipt by the Company of a written request for such advance. Such request shall include an undertaking by Executive to

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repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses. The provisions of this section shall not be deemed exclusive of any other rights of indemnification to which Executive may be entitled or which may be granted to Executive and shall be in addition to any rights of indemnification to which he may be entitled under any policy of insurance.

(b) No Presumption Regarding Standard of Conduct. Neither the failure

of the Company (including its Board, independent legal counsel or shareholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Executive under the preceding subsection (a) of this section that indemnification of Executive is proper

because Executive has met the applicable standard of conduct, nor a determination by the Company (including its Board, independent legal counsel or shareholders) that Executive has not met such applicable standard of conduct, shall create a presumption that Executive has not met the applicable standard of conduct.

(c) Liability Insurance. The Company will continue and maintain a

directors and officers liability insurance policy covering Executive to the extent the Company provides such coverage for its other senior executive officers.

14. Effect of Agreement on Other Benefits. Except as specifically

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

15. Assignment; Binding Nature. This Agreement shall be binding upon

and inure to the benefit of the parties and their respective successors, heirs (in the case of Executive) and permitted assigns. No rights or obligations of the Company under this Agreement may be

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

16. Representations. The Company represents and warrants that it is

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

17. Entire Agreement. This Agreement contains the entire

understanding and agreement between the parties concerning the subject matter thereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto. No provisions contained in the Repurchase Agreement or any future amendment thereto shall modify this Agreement in any manner whatsoever. To the extent the Repurchase Agreement is inconsistent with this Agreement, including Section 7 hereof, this Agreement shall supercede the Repurchase Agreement.

18. Amendment or Waiver. No provision in this Agreement may be

amended unless such amendment is agreed to in writing and signed by Executive and an authorized officer of the Company. Except as set forth herein, no delay or omission to exercise any right, power or

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remedy accruing to any party shall impair any such right, power or remedy or shall be construed to be a waiver of or an acquiescence to any breach hereof. No waiver by either party of any breach by the other party of any condition or provision contained in this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.

19. Severability. In the event that any provision or portion of this

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

20. Survivorship. The respective rights and obligations of the

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

21. Beneficiaries/References. Executive shall be entitled, to the

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

22. Governing Law. This Agreement shall be governed by and construed

and interpreted in accordance with the laws of California without reference to principles of conflict of laws.

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23. Notices. Any notice required or permitted to be given by a party

hereto to another party hereto shall be in writing and shall be delivered either (a) by facsimile, (b) by first class mail, postage prepaid, (c) by overnight courier for next business day delivery, or (d) by messenger, in each case addressed to the party concerned at the address of the party indicated below or to such changed address as such party may subsequently give such notice of:

If to the Company: KORN/FERRY INTERNATIONAL
1800 Century Park East
Los Angeles, CA 90067
Attention: Chief Executive Officer

If to Executive: ELIZABETH S.C.S. MURRAY
6601 Kentwood Bluff Drive
Los Angeles, CA 90045

Any notice so addressed and delivered shall be deemed to have been given (i) if delivered by facsimile, on the date of delivery as indicated by the written confirmation of the senders facsimile machine showing completion of such transmission without error, (ii) if delivered by first-class mail, five (5) days after deposit of such notice in the mail, (iii) if sent by overnight courier for next business day delivery, the business day following deposit of such notice with such courier, or (iv) if delivered by messenger, when delivered to the address specified above.

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

KORN/FERRY INTERNATIONAL

By: /s/ Windle B. Priem

Windle B. Priem, Chief Executive Officer and President

EXECUTIVE

/s/ Elizabeth S.C.S. Murray

Elizabeth S.C.S. Murray

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SCHEDULE A
DEFINITION OF CHANGE IN CONTROL

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

(a) an acquisition by any Person (excluding one or more Excluded Persons) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act or a pecuniary interest in (either comprising "ownership of,") more than 30% of the Common Stock of the

Company or voting securities entitled to then vote generally in the election of directors of the Company ("Voting Stock"), after giving

effect to any new issue in the case of an acquisition from Korn/Ferry International; or

(b) Approval by the shareholders of the Company of a plan, or the consummation, of merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company's consolidated assets as an entirety (collectively, a "Business Combination"), other than a Business Combination (1) in which all or substantially all of the holders of Voting Stock of the

Company hold or receive directly or indirectly 70% or more of the voting stock of the entity resulting from the Business Combination (or a parent company), and (2) after which no Person (other than any one or more of the Excluded Persons) owns more than 30% of the voting stock of the resulting entity (or a parent company) who did not own directly or indirectly at least that amount of Voting Stock immediately before the Business Combination, and (3) after which one or more Excluded Persons own an aggregate number of shares of voting stock at least equal to the aggregate number of shares of voting stock owned by any other Person who is not an Excluded person (except for any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act), if any, and who owns more than 30% of the voting stock; or

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

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

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

"Company" means Korn/Ferry International, a California Corporation, its successors, and/or its Subsidiaries, as the context requires.

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

"Excluded Person" means

(a) the Company; or

(b) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act; or

(c) any employee benefit plan of Korn/Ferry International; or

(d) any affiliates (within the meaning of the Exchange Act), successors, or heirs, descendants or members of the immediate families of the individuals identified in party (b) of this definition.

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

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CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated June 7, 1999 included in the Annual Report on Form 10-K of Korn/Ferry International into the Prospectus constituting part of its Registration Statement on Form S-8 (File No. 333-73147). It should be noted that we have not audited any financial statements of the company subsequent to April 30, 1999 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Los Angeles, California
July 22, 1999

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This schedule contains summary financial information extracted from Korn/Ferry International and subsidiaries for the fiscal year ended April 30, 1999 and is qualified in its entirety by reference to such financial statements.

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