

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

FORM 10-Q

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

For the quarterly period ended January 31, 2001 or

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

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

Commission File Number 001-14505

KORN/FERRY INTERNATIONAL  
(Exact name of registrant as specified in its charter)

Delaware 95-2623879  
(State of other jurisdiction) (I.R.S. Employer  
of incorporation or organization) Identification Number)

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

(310) 556-8503  
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months, and (2) has been subject to such filing  
requirements for the past 90 days.

Yes (X) No ( )

The number of shares outstanding of our common stock as of March 13, 2001  
was 37,446,652.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES  
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## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (in thousands)

<TABLE>  
 <CAPTION>

As of	As of
April 30, 2000	January 31, 2001
-----	-----
ASSETS	(unaudited)
-----	-----
<S> <C> Cash and cash equivalents \$ 86,975 Marketable securities 59,978 Receivables due from clients, net of allowance for doubtful accounts of \$15,793 and 101,506 \$12,538 Other receivables 8,112 Deferred income taxes 3,814 Prepaid expenses 7,453 ----- Total current assets 267,838 ----- Property and equipment: Computer equipment and software 32,532 Furniture and fixtures 18,175 Leasehold improvements 15,304 Automobiles 1,793 ----- 67,804 Less - Accumulated depreciation and amortization (31,992) ----- Property and equipment, net 35,812 ----- Cash surrender value of company owned life insurance policies, net of loans 50,632 Marketable securities 1,129 Deferred income taxes 17,790 Goodwill and other intangibles, net of accumulated amortization of \$17,657 and \$8,709 96,643 Other 6,150 ----- Total assets \$ 475,994 =====	<C> \$ 65,238 7,646 116,829 10,485 4,084 12,182 ----- 216,464 ----- 44,639 24,577 19,587 2,014 ----- 90,817 (43,464) ----- 47,353 ----- 59,470 26,921 131,900 13,492 ----- \$ 495,600 =====

</TABLE>

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

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

<TABLE>  
<CAPTION>

As of	As of
April 30, 2000	January 31, 2001
	(unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY	
-----	
<S>	<C>
<C>	
Notes payable and current maturities of long-term debt	\$ 14,527
\$ 16,147	
Accounts payable	12,691
11,896	
Income taxes payable	83
407	
Accrued liabilities:	
Compensation	67,180
75,866	
Payroll taxes	36,653
41,393	
Other	35,600
39,081	
	-----
Total current liabilities	166,734
184,790	
Deferred compensation	40,017
37,483	
Long-term debt	15,679
16,916	
Other	2,319
2,361	
	-----
Total liabilities	224,749
241,550	
	-----
Non-controlling shareholders' interest	2,880
3,220	
	-----
Shareholders' equity	
Common stock: \$0.01 par value, 150,000 shares authorized, 37,430 and	
36,748 shares outstanding	295,534
283,277	
Deficit	(12,597)
(35,615)	
Accumulated other comprehensive loss	(9,308)
(7,300)	
	-----
Shareholders' equity	273,629
240,362	
Less: Notes receivable from shareholders	(5,658)
(9,138)	
	-----
Total shareholders' equity	267,971
231,224	
	-----
Total liabilities and shareholders' equity	\$ 495,600
\$ 475,994	
	=====

</TABLE>

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

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

January 31, -----	Three Months Ended January 31,		Nine Months Ended	
	2001	2000	2001	2000
	(unaudited)		(unaudited)	
<S>	<C>	<C>	<C>	<C>
Revenue 343,178	\$ 157,171	\$ 122,075	\$ 504,415	\$
Compensation and benefits 205,578	95,651	72,119	304,990	
General and administrative expenses 101,227	46,568	35,345	152,345	
Interest income and other income, net 5,330	734	2,253	3,051	
Interest expense 3,033	2,300	1,437	6,075	
Income before provision for income taxes and non-controlling shareholders' interest 38,670	13,386	15,427	44,056	
Provision for income taxes 16,241	5,622	6,479	18,307	
Non-controlling shareholders' interest 2,038	861	663	2,731	
Net income 20,391	\$ 6,903	\$ 8,285	\$ 23,018	\$
Basic earnings per common share 0.57	\$ 0.18	\$ 0.23	\$ 0.62	\$
Basic weighted average common shares outstanding 35,929	37,443	36,117	37,201	
Diluted earnings per common share 0.55	\$ 0.18	\$ 0.22	\$ 0.60	\$
Diluted weighted average common shares outstanding 37,000	38,705	37,539	38,661	

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

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

January 31, -----	Nine Months Ended	

2000	2001	
-----	-----	
<S>	<C>	(unaudited)
<C>		
Cash from operating activities:		
Net income	\$ 23,018	\$
20,391		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,708	
7,000		
Amortization	8,948	
1,800		
Loss on disposition of property and equipment	879	
9,812		
Provision for doubtful accounts	14,612	
Cash surrender value, benefits, and gains in excess of premiums paid	(404)	
91		
Deferred income tax benefit	(2,405)	
(1,853)		
Tax benefit from exercise of stock options	2,733	
Change in other assets and liabilities, net of acquisitions:		
Deferred compensation	2,534	
4,635		
Receivables	(30,354)	
(38,320)		
Prepaid expenses	(4,729)	
(4,331)		
Income taxes	(594)	
6,064		
Accounts payable and accrued liabilities	(13,566)	
29,003		
Non-controlling shareholders' interest and other, net	530	
(694)		
-----		
Net cash provided by operating activities	11,910	
33,598		
-----		
Cash from investing activities:		
Purchase of property and equipment	(21,808)	
(14,087)		
Purchase of marketable securities	(7,646)	
21,965		
Sale of marketable securities	61,107	
Business acquisitions, net of cash acquired	(44,238)	
(35,617)		
Premiums on life insurance, net of benefits received	(10,102)	
(8,554)		
Investment in businesses	(10,570)	
-----		
Net cash used in investing activities	(33,257)	
(36,293)		
-----		
Cash from financing activities:		
Net borrowings on credit line	3,000	
Payment of bank debt	(1,365)	
Payment of shareholder acquisition notes	(10,343)	
(571)		
Borrowings under life insurance policies	1,668	
1,043		
Purchase of common stock and payment of related notes	(308)	
(994)		
Issuance of common stock and receipts on shareholders' notes	8,927	
2,580		
-----		
Net cash provided by financing activities	1,579	
2,058		
-----		
Effect of foreign currency exchange rate changes on cash flows	(1,969)	
(2,156)		
-----		

Net decrease in cash and cash equivalents (2,793)	(21,737)
Cash and cash equivalents at beginning of the period 113,741	86,975
	-----
Cash and cash equivalents at end of the period \$110,948	\$ 65,238
	=====

</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  
(unaudited)  
(in thousands, except per share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements for the three months and nine months ended January 31, 2001 and 2000 include the accounts of Korn/Ferry International ("KFY"), all of its wholly and majority owned domestic and international subsidiaries, and affiliated companies in which KFY has effective control (collectively, the "Company") and are unaudited but include all adjustments, consisting of normal recurring accruals and any other adjustments, which management considers necessary for a fair presentation of the results for these periods. These financial statements have been prepared consistently with the accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended April 2000 ("Annual Report") and should be read together with the Annual Report.

Use of Estimates

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

Reclassifications

Certain prior year reported amounts have been reclassified in order to conform to the current year consolidated financial statement presentation.

New Accounting Pronouncements

During fiscal 2000, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use", and during fiscal 2001, the Company adopted the related Emerging Issues Tax Force Issue No: 00-2 ("EITF 00-2"), "Accounting for Web Site Development Costs." The adoption of SOP 98-1 and EITF 00-2 did not have a material effect on the consolidated financial statements or the Company's capitalization policy.

2. Basic and Diluted Earnings Per Share

Basic earnings per common share ("basic EPS") was computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common and common equivalent share ("diluted EPS") reflects the potential dilution that would occur if the outstanding options or other contracts to issue common stock were exercised or converted and was computed by dividing the net income by the weighted average number of shares of common stock outstanding and dilutive common equivalent shares. Following is a reconciliation of the numerator (income) and denominator (shares in thousands) used in the computation of basic and diluted EPS:

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<TABLE>  
<CAPTION>

	Three months ended January 31,					
	2001			2000		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Basic EPS						
Income available to common shareholders	\$ 6,903	37,443	\$ 0.18 =====	\$ 8,285	36,117	\$ 0.23 =====
Effect of dilutive securities:						
Shareholder common stock purchase commitments		267			374	
Stock options		995			1,048	
Diluted EPS						
Income available to common shareholders plus assumed conversions	\$ 6,903 =====	38,705 =====	\$ 0.18 =====	\$ 8,285 =====	37,539 =====	\$ 0.22 =====

</TABLE>

<TABLE>  
<CAPTION>

	Nine months ended January 31,					
	2001			2000		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Basic EPS						
Income available to common shareholders	\$ 23,018	37,201	\$ 0.62 =====	\$20,391	35,929	\$ 0.57 =====
Effect of dilutive securities:						
Shareholder common stock purchase commitments		288			374	
Stock options		1,172			697	
Diluted EPS						
Income available to common shareholders plus assumed conversions	\$ 23,018 =====	38,661 =====	\$ 0.60 =====	\$20,391 =====	37,000 =====	\$ 0.55 =====

</TABLE>

### 3. Comprehensive income

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

Total comprehensive income is as follows:

<TABLE>  
<CAPTION>

ended January 31,	Three months ended January 31,		Nine months
	2001	2000	2001
	<S>	<C>	<C>
<C>			
Net income	\$ 6,903	\$ 8,285	\$ 23,018
\$ 20,391			
Foreign currency translation adjustment	3,032	(1,830)	(700)

(2,382)			
Unrealized gain (loss) on investment	213		(2,255)
Tax (provision) benefit related to unrealized gain (loss) on investment	(90)		947
-----	-----	-----	-----
Comprehensive income	\$ 10,058	\$ 6,455	\$ 21,010
\$ 18,009	=====	=====	=====

</TABLE>

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(in thousands, except per share amounts)

4. Business segments

The Company operates in two global business segments in the retained recruitment industry. These business segments, executive recruitment and Futurestep, are distinguished primarily by the method used to identify candidates and the candidates' level of compensation. The executive recruitment business segment is managed by geographic regions led by a regional president and Futurestep's worldwide operations are managed by a chief executive officer. With the acquisition of JobDirect in fiscal 2001, the Company expanded into the related college recruitment market. JobDirect has operations throughout the United States and is managed by a chief executive officer. For purposes of the geographic information below, Mexico's operating results are included in Latin America.

A summary of the Company's operations (excluding interest income and other income, and interest expense) by business segment follows:

<TABLE>  
<CAPTION>

	Three months ended January 31,		Nine months ended January 31,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Revenue:				
Executive recruitment:				
North America	\$ 80,078	\$ 65,765	\$ 269,528	\$ 187,127
Europe	32,975	27,587	101,277	78,499
Asia/Pacific	13,335	11,772	39,985	35,638
Latin America	8,183	7,387	26,520	22,057
Futurestep	21,119	9,564	63,800	19,857
JobDirect	1,481		3,305	
Total revenue	\$ 157,171	\$ 122,075	\$ 504,415	\$ 343,178

<CAPTION>

	Three months ended January 31,		Nine months ended January 31,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Operating profit (loss):				
Executive recruitment:				
North America	\$ 14,774	\$ 13,154	\$ 51,549	\$ 35,236
Europe	4,961	3,138	14,810	9,225
Asia/Pacific	1,423	1,303	5,007	3,739
Latin America	1,789	1,933	6,654	5,535
Futurestep	(4,591)	(4,917)	(23,138)	(17,362)
JobDirect	(3,404)		(7,802)	
Total operating profit	\$ 14,952	\$ 14,611	\$ 47,080	\$ 36,373

<CAPTION>

	As of	As of
	January 31, 2001	April 30, 2000
<S>	<C>	<C>
Identifiable assets:		
Executive recruitment:		
North America (1)	\$ 258,021	\$ 285,474
Europe	90,448	91,790
Asia/Pacific	35,651	33,376
Latin America	20,825	18,631
Futurestep	51,671	46,723
JobDirect	38,984	



Total identifiable assets	\$ 495,600	\$ 475,994
	=====	=====

</TABLE>

(1) The corporate office identifiable assets of \$94,826 and \$144,739 as of January 31, 2001 and April 30, 2000, respectively, are included in North America.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
(in thousands, except per share amounts)

5. Acquisitions

In July 2000, the Company completed two acquisitions: Westgate Group, a leading executive recruitment firm, specializing in financial services in the eastern United States and JobDirect, an online recruiting service focused on college graduates and entry level professionals. The purchase price was payable in cash of \$38.4 million, 154,923 shares of the Company's common stock, and notes payable of \$5.0 million. These acquisitions were accounted for under the purchase method and resulted in \$42.5 million of goodwill. Operating results of these businesses have been included in the consolidated financial statements from their acquisition dates.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

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

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

Overview

We are the world's preeminent recruitment firm with the broadest global presence in the recruitment industry. We lead the industry with approximately 500 executive recruitment consultants and over 100 Futurestep consultants based in over 77 cities across 41 countries at April 30, 2000. Our 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 executive recruitment searches we performed in fiscal 2000 were for board level, chief executive and other senior executive officer positions and nearly half of our 4,946 clients were Fortune 500 companies or their subsidiaries. We have established strong client loyalty; more than 82% of the executive recruitment assignments we performed in fiscal 2000 were on behalf of clients for whom we had conducted multiple assignments over the last three fiscal years.

In May 1998, we introduced our middle-management recruitment service, Futurestep. Futurestep combines our recruitment expertise with exclusive candidate assessment tools and the reach of the Internet to accelerate recruitment of candidates for middle-management positions and assess cultural compatibility. In March 1999, we completed the United States roll-out of Futurestep. The international roll-out of Futurestep was launched in the United

Kingdom and Canada in the first fiscal quarter of the prior year. As of April 30, 2000, we had opened 15 additional international offices and completed the integration of the acquired executive search and selection business of PA Consulting Group with offices in 17 countries in Europe and Asia/Pacific. As of January 31, 2001, over 904,000 candidates worldwide had completed a detailed on-line profile.

In May 2000, we acquired a 9.2% interest in Jungle Interactive Media, Inc., a company providing internet based information, entertainment, products and services to targeted groups within higher education. In July 2000, we completed the acquisition of JobDirect.com, Inc., a leading online college recruitment company exclusively serving clients' requirements for entry-level college graduates. In August 2000, we purchased a 16% equity investment in Webhire, Inc., the leading business services and technology solutions provider in the Internet recruitment marketplace.

Through executive recruitment, Futurestep and JobDirect, supported by our strategic investments in Webhire and Jungle Interactive, we are well positioned to execute our strategy to provide clients with end-to-end human capital management solutions.

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#### Results of Operations

The following table summarizes the results of our operations for the three months and nine months ended January 31, 2001 and 2000 as a percentage of revenue.

January 31, -----	Three months ended January 31,		Nine months ended
	2001	2000	2001
-----	-----	-----	-----
2000			
-----	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
Revenue	100%	100%	100%
100%			
Compensation and benefits	61	59	60
60			
General and administrative expenses	30	29	30
29			
Operating profit (1)	10	12	9
11			
Net income	4	7	5
6			

(1) For the three months ended January 31, 2001 and 2000, operating profit as a percentage of revenue, excluding Futurestep losses of \$4.6 million and \$4.9 million, respectively, and JobDirect losses of \$3.4 million in the current year, is 17% in both periods. For the nine months ended January 31, 2001 and 2000, operating profit as a percentage of revenue, excluding Futurestep losses of \$23.1 million and \$17.4 million, respectively, and JobDirect losses of \$7.8 million in the current year, is 18% and 17%, respectively.

For the three months ended January 31, 2001, we experienced solid growth in executive recruitment revenue in all geographic regions and in operating profit in all geographic regions, except Latin America compared to the same period last year. However, in the current three month period, executive recruitment revenue declined 11% compared to the previous three month period. The decline is due primarily to the slowdown of the United States economy in the current three month period that contributed to a 14% decline in executive recruitment revenue in North America. We currently expect our fourth quarter revenue to be in line with our third quarter results. We experienced strong growth in executive recruitment revenue and operating profit in all geographic regions for the nine months ended January 31, 2001. We include executive recruitment revenue generated from our operations in Mexico with Latin America.

31, -----	Three Months Ended January 31,		Nine Months Ended January
	2001	2000	2001
-----	-----	-----	-----
2000			
-----	-----	-----	-----

	Dollars	%	Dollars	%	Dollars	%	Dollars
%							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue							
Executive recruitment:							
North America	\$ 80,078	51%	\$ 65,765	54%	\$269,528	53%	\$187,127
55%							
Europe	32,975	21	27,587	23	101,277	20	78,499
23							
Asia/Pacific	13,335	8	11,772	10	39,985	8	35,638
10							
Latin America	8,183	5	7,387	6	26,520	5	22,057
6							
Futurestep	21,119	13	9,564	8	63,800	13	19,857
6							
JobDirect	1,481	1			3,305	1	
--							
Total revenue	\$157,171	100%	\$122,075	100%	\$504,415	100%	\$343,178
100%							

<TABLE>  
<CAPTION>

31,	Three Months Ended January 31,				Nine Months Ended January		
	2001		2000		2001		
	Dollars	%	Dollars	%	Dollars	%	Dollars
%							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Operating Profit (Loss) and Margin (%)							
Executive recruitment:							
North America	\$14,774	18.4%	\$13,154	20.0%	\$ 51,549	19.1%	\$ 35,236
18.8%							
Europe	4,961	15.0	3,138	11.4	14,810	14.6	9,225
11.8							
Asia/Pacific	1,423	10.7	1,303	11.1	5,007	12.5	3,739
10.5							
Latin America	1,789	21.9	1,933	26.2	6,654	25.1	5,535
25.1							
Futurestep	(4,591)		(4,917)		(23,138)		(17,362)
JobDirect	(3,404)				(7,802)		
-							
Total operating profit	\$14,952	9.5%	\$14,611	12.0%	\$ 47,080	9.3%	\$ 36,373
10.6%							

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

Three Months Ended January 31, 2001 Compared to Three Months Ended January 31, 2000

Revenue. Revenue increased \$35.1 million, or 29% to \$157.2 million for the three months ended January 31, 2001 from \$122.1 million for the three months ended January 31, 2000. This increase in revenue was primarily the result of an increase in the number of engagements and an increase in the average fee per engagement in executive recruitment, an increase in revenue from Futurestep, and the acquisition of JobDirect in the current fiscal year.

In North America, revenue increased \$14.3 million, or 22%, to \$80.1 million for the three months ended January 31, 2001 from \$65.8 million for the comparable period in the prior year. This revenue growth is due mainly to an increase in the number of engagements and an increase in the average fee per engagement. The financial services, healthcare, industrial and general specialty practices delivered particularly strong performance, while the retail,

entertainment and consumer goods specialty practices declined.

Revenue in Europe increased \$5.4 million, or 20%, to \$33.0 million for the three months ended January 31, 2001 from \$27.6 million for the comparable period in the prior year. Excluding the negative effects of foreign currency translation into the U.S. dollar, revenue would have increased approximately 31% compared to the same three month period last year. This increase is mainly due to an increase in the number of engagements, revenue related to the acquisition in Germany in the prior year third quarter, and an increase in the average fee per engagement.

In Asia/Pacific, revenue increased \$1.5 million, or 13%, to \$13.3 million for the three months ended January 31, 2001 from \$11.8 million for the three months ended January 31, 2000 primarily due to an increase in the average fee per engagement partially offset by a decrease in the number of engagements. Excluding the negative effects of foreign currency translation into the U.S. dollar, revenue would have increased approximately 22% compared to the same three month period last year.

The increase in revenue in Latin America of \$0.8 million, or 11%, to \$8.2 million for the three months ended January 31, 2001 from \$7.4 million for the comparable three month period in fiscal 2000 is due primarily to continued strong performance in Mexico offset by a decrease in Argentina due to the reorganization of that office in the current fiscal year. Excluding the negative effects of foreign currency translation into the U.S. dollar, revenue would have increased approximately 14% compared to the same three month period last year.

Futurestep revenue of \$21.1 million for the three months ended January 31, 2001 is primarily attributable to the worldwide roll-out of the business and the acquisition of the ESS business of PA Consulting in January 2000, resulting in an increase in the number of engagements in both Europe and Asia/Pacific during the current fiscal quarter, while the number of engagements declined slightly in North America. In the current three month period, Futurestep revenue remained constant compared to the previous three month period due to an increase in international revenue offset by a decrease in revenue in North America. In the current three month period, approximately 60% of revenue in North America and 22% of worldwide revenue is the result of referrals from the executive recruitment business.

JobDirect revenue of \$1.5 million for the three months ended January 31, 2001 reflects approximately 480 corporate clients and 414 college career offices using our service. Compared to the current year second fiscal quarter, the number of corporate clients decreased 17% and the number of college career offices increased 9% while revenue declined \$0.2 million. As of January 31, 2001, over 1.3 million students had registered on the database.

Compensation and Benefits. Compensation and benefits expense increased \$23.6 million, or 32%, to \$95.7 million for the three months ended January 31, 2001 from \$72.1 million for the comparable period ended January 31, 2000 due primarily to an increase in the number of executive recruitment consultants and Futurestep employees and the acquisition of JobDirect in the current fiscal year. Excluding Futurestep expenses of \$14.7 million and JobDirect expenses of \$2.3 million in the current three month period and Futurestep expenses of \$6.0 million in the same period last year, compensation and benefits as a percentage of revenue decreased slightly to 58.5% in the most recent three month period from 58.8% in the three months ended January 31, 2000.

General and Administrative Expenses. General and administrative expenses consist of occupancy expense associated with our leased premises, information and technology infrastructure, marketing and other general office expenses. General and administrative expenses increased \$11.3 million, or 32%, to \$46.6 million for the three months ended January 31, 2001 from \$35.3 million for the comparable period ended January 31, 2000. As a percentage of revenue, general and administrative expenses, excluding Futurestep and JobDirect related expenses, remained relatively constant at 24% in the most recent and in the prior year three month period.

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Operating Profit. Operating profit increased \$0.4 million in the three months ended January 31, 2001, to \$15.0 million, or 9.5% of revenue, from \$14.6 million, or 12.0% of revenue, in the prior year three month period. Excluding the Futurestep losses of \$4.6 million and JobDirect losses of \$3.4 million in the current year and Futurestep losses of \$4.9 million in the prior year, operating profit for the three months ended January 31, 2001 increased \$3.4 million, or 18%, to \$22.9 million compared to the three months ended January 31, 2000. Operating profit as a percentage of revenue, excluding Futurestep and JobDirect, remained relatively constant at 17% for both the three months ended January 31, 2001 and 2000.

Interest Income and Other Income, Net. Interest income and other income, net, includes interest income of \$1.0 million and \$2.0 million for the three months ended January 31, 2001 and 2000, respectively. The decrease in interest income is due primarily to lower average cash and marketable securities balances compared to the prior year. Other income, net is comprised primarily of gains

and losses on disposals of property and equipment and dividend income resulting in expense of \$0.2 million for the current year three month period and income of \$0.2 million in the prior year.

Interest Expense. Interest expense increased \$0.9 million in the three months ended January 31, 2001, to \$2.3 million from \$1.4 million in the prior year, primarily due to borrowings under the line of credit associated with acquisitions during the first quarter of fiscal 2001 and an increase in notes payable to shareholders resulting from acquisitions in the fourth quarter of fiscal 2000.

Provision for Income Taxes. The provision for income taxes decreased \$0.9 million to \$5.6 million for the three months ended January 31, 2001 from \$6.5 million for the comparable period ended January 31, 2000. The effective tax rate was 42% for both the current and the prior year three month periods.

Non-controlling Shareholders' Interest. Non-controlling shareholders' interest is comprised of the non-controlling shareholders' majority interest in our Mexico subsidiaries. Non-controlling shareholders' interest increased \$0.2 million to \$0.9 million in the current three month period compared to \$0.7 million in the prior year period.

Nine Months Ended January 31, 2001 Compared to Nine Months Ended January 31, 2000

Revenue. Revenue increased \$161.2 million, or 47%, to \$504.4 million for the nine months ended January 31, 2001 from \$343.2 million for the nine months ended January 31, 2000, including an increase in revenue from Futurestep of \$43.9 million compared to the same period in the prior year and revenue of \$3.3 million from JobDirect in the current nine month period. The increase in executive recruitment revenue of \$114.0 million, or 35%, was primarily the result of an increase in the number of executive recruitment engagements supported by an increase in the average number of consultants and an increase in the average fee per engagement.

In North America, revenue increased \$82.4 million, or 44% to \$269.5 million for the nine months ended January 31, 2001 from \$187.1 million for the comparable period in the prior year due mainly to an increase in the number of engagements supported by an increase in the number of consultants and an increase in the average fee per engagement. The advanced technology, financial services, industrial, healthcare and general specialty practices performed strongly in the current year compared to the same nine month period last year.

In Europe, revenue increased \$22.8 million, or 29%, to \$101.3 million for the nine months ended January 31, 2001 from \$78.5 million for the nine months ended January 31, 2000. Excluding the negative effects of foreign currency translation into the U.S. dollar, revenue would have increased approximately 42% compared to the same period in the prior year. This increase is primarily due to an increase in the number of engagements, supported by an increase in the number of consultants, an increase in the average fee per engagement and the acquisition in Germany in the prior year third fiscal quarter.

Revenue in Asia/Pacific increased \$4.4 million, or 12%, to \$40.0 million for the nine months ended January 31, 2001 from \$35.6 million for the comparable period in the prior year due primarily to an increase in the average fee per engagement partially offset by a decline in the number of engagements. Excluding the negative effects of foreign currency translation into the U.S. dollar, revenue would have increased approximately 17% compared to the same nine month period last year.

The increase in revenue in Latin America of \$4.4 million, or 20%, to \$26.5 million for the nine months ended January 31, 2001 from \$22.1 million for the comparable nine month period in fiscal 2000 is attributable mainly to continued strong performance by Mexico and improvement in the economy in Brazil offset by a decrease in Argentina due to a reorganization of that office in the current year. Excluding the

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negative effects of foreign currency translation into the U.S. dollar, revenue would have increased approximately 23% compared to the same nine month period last year.

Futurestep revenue of \$63.8 million for the nine months ended January 31, 2001 increased \$43.9 million from the same period last year. This increase is primarily attributable to additional engagements in North America in the current nine month period, the acquisition of the ESS business of PA Consulting in January 2000, and reflects the worldwide roll-out of the business in late fiscal 2000.

Compensation and Benefits. Compensation and benefits expense increased \$99.4 million, or 48%, to \$305.0 million for the nine months ended January 31, 2001 from \$205.6 million for the comparable period ended January 31, 2000 due primarily to an increase in the number of executive recruitment consultants and

Futurestep employees and the acquisition of JobDirect in the current fiscal year. The \$64.6 million increase for the nine months ended January 31, 2001, excluding Futurestep expenses of \$42.8 million and JobDirect expenses of \$4.6 million in the current nine month period and Futurestep expenses of \$12.6 million in the same period last year, reflects a 31% increase in the average number of consultants for the nine months ended January 31, 2001 over the comparable period in 2000. On a comparable basis, excluding Futurestep and JobDirect, compensation and benefits expense as a percentage of revenue decreased to 58.9% in the most recent nine month period from 59.7% in the nine months ended January 31, 2000.

General and Administrative Expenses. General and administrative expenses consist of occupancy expense associated with our leased premises, information and technology infrastructure, marketing and other general office expenses. General and administrative expenses increased \$51.1 million, or 50%, to \$152.3 million for the nine months ended January 31, 2001 from \$101.2 million for the comparable period ended January 31, 2000. As a percentage of revenue, general and administrative expenses, excluding Futurestep and JobDirect related expenses, remained relatively constant at 23% for both the nine months ended January 31, 2001 and 2000.

Operating Profit. Operating profit increased \$10.7 million in the nine months ended January 31, 2001, to \$47.1 million, or 9.3% of revenue, from \$36.4 million, or 10.6% of revenue, in the prior year nine month period. Excluding the Futurestep losses of \$23.1 million and JobDirect losses of \$7.8 million in the current nine month period and Futurestep losses of \$17.4 million in the same period in the prior year, operating profit for the nine months ended January 31, 2001 increased \$24.3 million, or 45%, to \$78.0 million compared to the nine months ended January 31, 2000. Operating profit, excluding Futurestep and JobDirect, as a percentage of revenue was 18% and 17% for the nine months ended January 31, 2001 and 2000, respectively. The increased margin reflects improvement in North America, Europe and Asia/Pacific, while Latin America remained constant compared to the prior year nine month period. The increase is driven primarily by our European operations and reflects the increase in revenue and a decline in compensation and benefits and general and administrative expense as a percentage of revenue relative to the same period last year.

Interest Income and Other Income, Net. Interest income and other income, net, includes interest income of \$3.4 million and \$4.8 million for the nine months ended January 31, 2001 and 2000, respectively. The decrease in interest income is due primarily to lower average cash and marketable securities balances compared to the prior year. Other income consists primarily of gains and losses on the sale of property and equipment and dividend income resulting in expense of \$0.3 million in the current period and income of \$0.5 million in the prior year period.

Interest Expense. Interest expense increased \$3.1 million in the nine months ended January 31, 2001, to \$6.1 million from \$3.0 million in the prior year, primarily due to borrowings under the line of credit associated with acquisitions during the first quarter of fiscal 2001 and to an increase in notes payable to shareholders resulting from acquisitions in the fourth quarter of fiscal 2000.

Provision for Income Taxes. The provision for income taxes increased \$2.1 million to \$18.3 million for the nine months ended January 31, 2001 from \$16.2 million for the comparable period ended January 31, 2000. The effective tax rate was 42% for both the current and prior year nine month periods.

Non-controlling Shareholders' Interest. Non-controlling shareholders' interest is comprised of the non-controlling shareholders' majority interest in our Mexico subsidiaries. Non-controlling shareholders' interest increased \$0.7 million in the current nine month period to \$2.7 million, compared to \$2.0 million in the comparable prior year period and reflects the increase in net income generated by the Mexico subsidiaries during the current fiscal nine month period.

#### Liquidity and Capital Resources

We maintained cash and cash equivalents of \$65.2 million at January 31, 2001 and \$110.9 million at January 31, 2000. During the nine months ended January 31, 2001 and 2000, cash provided by operating activities was \$11.9 million and \$33.6 million, respectively. Operating cash generated in the current nine month period decreased primarily due to a decrease in accounts payable and accrued liabilities mainly related to fiscal 2000 bonuses paid in fiscal 2001.

Excluded from cash flows is the non-cash charge to other comprehensive income of \$1.3 million, representing the unrealized loss, net of tax, on our investment in Webhire. This unrealized loss was due to a decline in the market price per share from the \$2.35 acquisition price to \$1.69 at January 31, 2001.

Cash used in investing activities was \$33.3 million for the current nine month period and \$36.3 million for the nine months ended January 31, 2000. In the current nine month period, cash flows used in investing activities included

\$44.2 million for business acquisitions and \$10.6 million for the purchase of equity interests in Jungle Interactive and Webhire compared to \$35.6 for business acquisitions in the prior year. In addition, net sales of marketable securities were \$53.5 million in the current nine month period compared to \$22.0 million in the prior year.

Cash flows from investing activities also includes premiums paid on corporate-owned life insurance, or COLI, contracts. We purchase COLI contracts to provide a funding vehicle for anticipated payments due under our deferred executive compensation programs. Premiums on these COLI contracts were \$10.1 million and \$8.6 million for the nine months ended January 31, 2001 and 2000, respectively. Generally, we borrow against the cash surrender value of the COLI contracts to fund the COLI premium payments to the extent interest expense on the borrowings is deductible for U.S. income tax purposes.

Capital expenditures totaled \$21.8 million and \$14.1 million for the nine months ended January 31, 2001 and 2000, respectively. These expenditures consisted primarily of systems hardware and software costs, upgrades to information systems and leasehold improvements. The \$7.7 million increase in capital expenditures in the nine months ended January 31, 2001 compared to the prior year nine month period relates primarily to increased fixed asset spending at Futurestep to support its worldwide infrastructure.

Cash provided by financing activities was \$1.6 million and \$2.1 million during the nine months ended January 31, 2001 and 2000, respectively. In the current nine month period, borrowings of \$28.0 million under our line of credit were offset by payments of \$25.0 million. In addition, we made payments of \$10.3 million on shareholder acquisition notes in the current nine month period compared to \$0.6 million in the same period last year. In the current nine month period, proceeds from the issuance of common stock were \$8.9 million, including proceeds from stock options exercised of \$5.4 million, compared to \$2.6 million in the prior year nine month period.

Total outstanding borrowings under life insurance policies were \$46.6 million and \$43.7 million at January 31, 2001 and 2000, respectively. These borrowings, which are secured by the cash surrender value of the life insurance policies, do not require principal payments and bear interest at various variable rates.

To provide additional liquidity, we replaced our prior credit line with a \$100 million credit facility with Bank of America effective October 31, 2000. The credit facility is a revolving facility that matures on November 2, 2002 and includes a standby letter of credit subfacility. Borrowings under the line of credit bear interest on a sliding scale based on a leverage ratio. We have the option of borrowing using either LIBOR or the higher of the bank's prime lending rate or the Federal Funds rate plus 0.5%. The financial covenants include a fixed charge coverage ratio, a maximum leverage ratio, a minimum quick ratio and other customary events of default.

We believe that cash on hand, funds from operations and available borrowings under our credit facilities will be sufficient to meet our anticipated working capital, capital expenditures and general corporate requirements for the foreseeable future.

#### 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.

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,

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2002, the participating countries will introduce Euro notes and coins and withdraw all legacy currencies so that they will no longer be available.

We have assessed our information technology systems to determine that they allow for transactions to take place in both the legacy currencies and the Euro and accommodate the eventual elimination of the legacy currencies. Our currency risk may be affected 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 we will continue to evaluate issues involving introduction of the Euro throughout the transition period. The conversion to the Euro has not had a significant impact on our operations to date.

#### Recently Issued Accounting Standards

During fiscal 2000, we adopted the American Institute of Certified Public Accountants Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Cost of Computer Software Development or Obtained for Internal Use" and during fiscal 2001, we adopted the related Emerging Issues Task Force Issue No: 00-2 ("EITF

00-2"), "Accounting for Web Site Development Costs." The adoption of SOP 98-1 and EITF 00-2 did not have a material effect on the consolidated financial statements or our capitalization policy.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency Market Risk

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

Foreign Currency Risk. Generally, financial results of our 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 period and revenue and expenses are translated at average rates of exchange during the period. 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 rates of exchange and any translation adjustments are included in determining net income.

Historically, we have not realized any significant translation gains or losses on transactions involving U.S. dollars and other currencies. This is primarily due to natural hedges of revenue and expenses in the functional currencies of the countries in which our offices are located and investment of excess cash balances in U.S. dollar denominated accounts. During the nine months ended January 31, 2001 and 2000, we recognized foreign currency losses, after income taxes, of \$0.3 million and \$0.4 million, respectively, primarily related to our Europe and Asia/Pacific operations. Realization of translation gains or losses due to the translation of intercompany payables denominated in U.S. dollars is mitigated through the timing of repayment of these intercompany borrowings.

Interest Rate Risk. We primarily manage our exposure to fluctuations in interest rates through our regular financing activities that generally are short term and provide for variable market rates. As of January 31, 2001, we had outstanding borrowings of \$3.0 million on our revolving line of credit bearing interest at LIBOR plus 1.25%, \$46.6 million of borrowings against the cash surrender value of COLI contracts bearing interest at primarily variable rates payable at least annually and \$27.2 million of notes payable to shareholders resulting from business acquisitions in fiscal 2000, payable through fiscal 2004 at rates ranging from 5.5% to 7%.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number -----	Description of Exhibit -----
10.1	Employment Agreement between Korn/Ferry International and Michael D. Bekins
10.2	Korn/Ferry International Special Severance Pay Policy
10.3	Employment Agreement between Korn/Ferry International and Richard M. Ferry
10.4	Amendment I, dated as of January 30, 2001, to Loan Agreement, dated as of October 31, 2000, among Korn/Ferry International, Bank of America, N.A. and the other Lenders referred to therein

(b) Reports on Form 8-K

None.

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SIGNATURE

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KORN/FERRY INTERNATIONAL

Date: March 16, 2001

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

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

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EXHIBIT INDEX

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EMPLOYMENT AGREEMENT  
BETWEEN  
KORN/FERRY INTERNATIONAL  
AND  
MICHAEL D. BEKINS

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EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of this 1st day of May 2000, by and between KORN/FERRY INTERNATIONAL, a Delaware corporation with its principal offices in Los Angeles, California (the "Company"), and MICHAEL D. BEKINS (the "Executive").

1. Employment. The Company agrees to employ Executive and  
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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  
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Agreement will begin on May 1, 2000 and will continue for an initial term ending April 30, 2003. 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  
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as Executive Vice President and Chief Operating 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. 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.

4. Annual Compensation.  
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(a) Base Salary. The Company will pay a base salary to Executive  
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at a minimum annual rate of \$450,000 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 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  
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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

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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  
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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  
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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  
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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.  
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(a) Death. If Executive's employment with the Company terminates  
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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 (30th) 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

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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

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by Executive, Failure to Renew by Executive. If the Company terminates

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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

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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

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Good Reason or for Failure by the Company to Renew Agreement Prior to Change in

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Control. If Executive's employment is terminated prior to a Change in Control by

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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 eighteen (18) months after such termination; provided, however, that

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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 his duties or responsibilities or the assignment by the Company to Executive of duties or responsibilities which impair his ability to function as Executive Vice President and Chief Operating Officer.

(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

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(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 his primary location of business or its present location, as applicable, shall not constitute his personal consent to move his 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  
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Control. If Executive's employment is terminated by Company prior to a Change in  
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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 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

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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

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Without Cause or For Performance Reasons or by Executive for Good Reason. If a  
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Change in Control (defined in Schedule A) occurs and if, within 12 months after  
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the date on which the Change in Control occurs, Executive's employment is  
terminated by the Company without Cause or by

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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 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

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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.

(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.

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(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. No Mitigation; No Offset. Executive will have no obligation

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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.

8. Confidential Information; Cooperation with Regard to

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Litigation.  
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(a) Nondisclosure of Confidential Information. During the term of

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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

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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 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

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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

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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

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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

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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.

9. Non-solicitation. During the term of Executive's employment

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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.

10. Remedies. If Executive commits a material breach of any of  
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the provisions contained in Section 9 above, then 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.

11. Resolution of Disputes. Any controversy or claim arising out  
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of or relating to this Agreement or any breach or asserted breach hereof or questioning the validity and

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binding effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Section 10, 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.

12. Indemnification.  
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(a) Company Indemnity. If Executive is made a party, or is  
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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

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

(b) No Presumption Regarding Standard of Conduct. Neither the  
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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)

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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

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a directors and officers liability insurance policy covering Executive to the extent the Company provides such coverage for its other senior executive officers.

13. Effect of Agreement on Other Benefits. Except as specifically

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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.

14. Assignment; Binding Nature. This Agreement shall be binding

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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.

15. Representations. The Company represents and warrants that it

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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

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impediment which would prohibit Executive from entering into this Agreement or which would prevent Executive from fulfilling Executive's obligations under this Agreement.

16. Entire Agreement. This Agreement contains the entire

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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.

17. Amendment or Waiver. No provision in this Agreement may be

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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.

18. Severability. In the event that any provision or portion of

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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.

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19. Survivorship. The respective rights and obligations of the

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

20. Beneficiaries/References. Executive shall be entitled, to the

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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.

21. Governing Law. This Agreement shall be governed by and

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construed and interpreted in accordance with the laws of California without reference to principles of conflict of laws.

22. Notices. Any notice required or permitted to be given by a

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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: MICHAEL D. BEKINS  
2208 Patricia Avenue  
Los Angeles, CA 90064

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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:

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Windle B. Priem, Chief Executive Officer  
and President

EXECUTIVE

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Michael D. Bekins

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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

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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

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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

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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 Delaware corporation, its successors, and/or its Subsidiaries, as the context requires.

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

"Excluded Person" means

(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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KORN/FERRY INTERNATIONAL

SPECIAL SEVERANCE PAY POLICY

Dated: January 1, 2000

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This Korn/Ferry International Special Severance Pay Policy (the "Policy"), adopted as of the 1st day of January, 2000 by Korn/Ferry International, a Delaware corporation (the "Company"), is a welfare benefit plan which is designed to provide payments upon severance to certain officers of the Company as defined in Section 1.2. This Policy replaces any of the policies, plans, or procedures of the Company or its subsidiaries and divisions concerning layoff pay, pay in lieu of notice, or severance pay with respect to the Officers. This Policy is revocable at any time by action of the Board of Directors of the Company.

ARTICLE 1. TITLE AND DEFINITIONS

1.1 Title. This Policy shall be known as the "Korn/Ferry International Special  
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Severance Pay Policy."

1.2 Definitions. Whenever the following terms are used in this Policy, with  
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the first letter capitalized, they shall have the meanings specified below.

"Administrator" shall mean the Company, through the Executive Vice President - Organizational Development ("EVP-OD") or any other Officer selected by Management of the Company, as set forth in Article 4.

"Amended Stock Repurchase Agreement" shall mean with respect to an Officer, the agreement between the Officer and the Company containing the "liquidity schedule" for permitted transfers of certain of such Officer's shares of Company common stock and provisions regarding the potential repurchase of certain of such Officer's shares of Company common stock upon the occurrence of events specified in such agreement.

"Base Salary" shall mean the monthly Base Salary rate in effect upon termination of employment.

"Board" shall mean the Board of Directors of the Company.

"Bonus" shall mean the actual cash bonuses (excluding sign-on bonuses and other special hiring or guaranteed bonuses) received for the two most recent fiscal years ended prior to termination of employment divided by 24. If an Officer has been eligible to receive a bonus (excluding sign-on bonuses and other special hiring or guaranteed bonuses) covering a performance period of less than two years, then Bonus refers to the actual cash bonuses paid for such period, divided by the number of months for which such bonuses applied (i.e., commencing with the first month of service and ending with the last month of service for which the bonus was paid).

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"Cause" shall mean (a) conviction of a felony or other crime involving fraud, dishonesty or acts of moral turpitude or pleading guilty or nolo contendere to such charges, (b) behavior injurious to the Company (including, without limitation, dishonesty, failure to protect confidential information, breach of fiduciary duty, breach of loyalty, insubordination or willful conduct that could result in a material legal claim against the Company or its officers), (c) willful neglect of duties, or (d) failure to perform in a manner satisfactory to the Chief Executive Officer ("CEO"). For clauses (c) and (d), the Officer will be given up to 60 days to correct the apparent breach, if deemed curable in the opinion of the CEO. If there has been an apparent breach of clauses (c) or (d), then a written notice shall be delivered to the Officer which sets forth in reasonable detail the specific respects in which it is believed the Officer has not performed the Officer's duties. If the failure is not cured by the Officer (if capable of being cured) within 60 days following receipt of notice thereof from the Company to the Officer to the satisfaction of a majority of the members of the Claims Committee, then the Officer shall be deemed to have breached either clause (c) or clause (d).

"Change in Control" means 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  
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of") more than 30% of the Common Stock or voting securities entitled to  
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then vote generally in the election of directors of the Company ("Voting  
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Stock"), after giving effect to any new issue in the case of an acquisition  
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from Korn/Ferry International; or

(b) Approval by the stockholders 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  
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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 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 the 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.

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

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(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;

For purposes of determining whether a Change in Control Event has occurred, a transaction includes all transactions in a series of related transactions. Any acquisition or Business Combination initiated by the Company shall not be a Change in Control.

"Claims Committee" shall mean the committee consisting of the members of the Office of the Chief Executive (the CEO; the Vice Chairman; the Executive Vice President - Chief Financial Officer; the EVP- OD; the Senior Vice President - Search Operations); and the Regional and Specialty Presidents; or such other parties as the CEO may add or such replacements as the CEO may designate. The Claims Committee shall be chaired by the CEO or by his or her designate. The Committee may act by meeting or through written consent; in each case a vote or consent of a majority of its members shall bind the Committee. If a claim involves a member of the Committee, that member will abstain from voting.

"Company" shall mean Korn/Ferry International, a Delaware corporation, or any successor corporation resulting from merger, consolidation, or transfer of assets substantially as a whole, which shall expressly agree in writing to continue the Policy as herein provided; and unless the context indicates otherwise, any subsidiary which, with the written approval of Korn/Ferry International, elects to participate herein.

"Excluded Person" shall mean: (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 part (b) of this definition.

"ERISA" shall mean the Employer Retirement Income Security Act of 1974, 29 U.S.C. (S)(S) 1001, et seq., as amended from time to time.

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"Exchange Act" shall mean the United States Securities Exchange Act of 1934, as amended.

"Good Reason For Officers other than Senior Officers" shall mean: (a) the requirement without prior consent to move one's primary place of business more than 100 miles from its then current location, or (b) a material reduction in Base Salary unless part of a broad based compensation and salary reduction program or a material reduction in the bonus opportunities under the Company's then current bonus plan unless as a result of a change in the

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bonus program generally applicable to individuals in comparable positions. For Officers in management positions (other than Senior Officers) with designated target bonuses, Good Reason will not be triggered under (b) above if the individual's Base Salary is continued at 100% of its then current level and the Bonus is guaranteed for at least a 6-month period at a minimum of 75% of its then current target level and the individual is eligible to participate in the fee-earner plan then in effect for other Officers.

"Good Reason For Senior Officers" shall mean (a) the requirement

without prior consent to move one's primary place of business more than 100 miles from its then current location, (b) a material reduction in Base Salary or bonus opportunity unless part of a broad-based Base Salary reduction program or a material change in the bonus program generally applicable to individuals in comparable positions, or (c) a material reduction in responsibility or failure to be redesignated as a Senior Officer unless the Senior Officer's then current Base Salary is maintained for at least 12 months and the bonus opportunity is maintained at 75% of its then current level for at least 12 months, and the individual is eligible to participate in the fee-earner plan then in effect for other officers; provided that the Company shall have the opportunity to cure (if capable of being cured) the situations described in clause (c) within 60 days following receipt of notice thereof from the Managing Director to the Company.

"Officer" shall mean an individual who has been designated an officer or managing director or vice president of the Company by the Board and is so notified through written notice from the Company. An individual may be designated an "Officer" of the Company even though he or she does not have the title of "Vice President" or "Managing Director" but holds an equivalent or higher position in terms of authority and responsibility. The term "Officer" shall include any "Senior Officer" (as defined below) unless the context indicates otherwise.

"Performance Award Plan" shall mean the Korn/Ferry International Performance Award Plan.

"Policy" shall mean the Korn/Ferry International Special Severance Pay Policy as set forth herein, now in effect or hereafter amended.

"Senior Officer" shall mean a Managing Director who (a) is responsible for a profit center with at least \$15 million in annual revenue or a practice with at least \$20 million in annual revenue, (b) has been in such a position with the Company for at least two years, and (c) is designated annually as a Senior Officer for purposes of this Policy by the CEO of the Company ("CEO") or his designee.

"Service" shall mean the period beginning with the Officer's employment commencement date as an Officer and ending with the Officer's Severance Date.

"Severance Date" shall mean the date the Administrator determines that the Company has terminated the employment of the Officer or that the Officer has terminated for Good Reason (which date shall not be extended by vacation, sick leave or other paid or unpaid leave except as may be required by law).

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"Special Severance Benefit" shall mean the benefits to which an Officer is entitled pursuant to Section 3.1.

"Supplemental Severance Benefit" shall mean the benefits to which an Officer is entitled pursuant to Section 3.1(c).

"Tenure as a Managing Director" or "Tenure as an Officer" shall mean the period during which a Managing Director or Vice President has served as an officer as set forth in his or her personnel file or, in the absence of file data, as determined by the Administrator.

## ARTICLE 2. ELIGIBILITY

### 2.1 Eligibility Requirements.

A. An Officer (as that term is defined in Section 1.2, including, without limitation, a Senior Officer) shall be eligible for a Special Severance Benefit if: (i) he or she is an Officer of the Company; and (ii) the Administrator determines that his or her employment with the Company was terminated because of termination by the Company without Cause or by an Officer's voluntary termination for Good Reason; and (iii) he or she executes and delivers a valid release of all claims against the Company and its agents in a form acceptable to the Company and does not revoke such release within a time period, if any, required by law for the revocation of a release. This Policy also may be terminated at any time by the Board of Directors.

B. No Officer shall be eligible for a Special Severance Benefit if he or she terminates employment with the Company as a result of voluntary resignation, except in the case of termination for Good Reason or except in the case of a voluntary resignation to which the Company expressly agrees in writing that the Special Severance Benefit will be provided.

C. An Officer shall not be eligible for a Special Severance Benefit if he or she terminates his or her employment with the Company as a result of retirement (except as set forth in Section 2.1(B)), disability, discharge for Cause (as defined in Section 1.2) by the Company, failure to return to work after an approved leave of absence, or death.



D. This Policy will not be available to Officers in jurisdictions in which local law dictates a larger severance payment than the payment indicated by this Policy, in which circumstance the local law will take precedence. In such cases, no severance payment in addition to that required under local law will be available under this Policy.

E. This Policy does not change an Officer's current restrictions contained in other agreements regarding entering into competition with the Company, soliciting the Company's Officers, or disclosing confidential information. In addition, the terms and conditions of each Officer's Amended Stock Repurchase Agreement will remain fully in effect regardless of the reason for termination of employment. Severance payments will cease immediately in the event a recipient (a) competes with the Company, (b) directly or indirectly solicits the hiring of any of the Company's employees or Officers or directly or indirectly solicits any of the Company's clients, or (c) discloses confidential information during the severance period or it is discovered

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that such information was disclosed prior to the severance period. Competition will include any activity competitive with any of the Company's businesses. Stipends for health insurance payments will cease immediately once an Officer becomes eligible for medical insurance from another employer or local government.

F. In the event of a Change in Control, the Company will use its best efforts to have the Policy assumed by the surviving Company. Otherwise, there are no special terms or treatment in the Policy resulting from a Change in Control that are not already provided for in other policies (e.g., option vesting accelerates upon a Change in Control under the existing Performance Award Plan). In the event any severance payment following a Change in Control would require the loss of a Company tax deduction under Section 280G of the Internal Revenue Code (which applies only if an Officer receives payments contingent upon a Change in Control that equal or exceed three times the Officer's average annual pay), severance benefits will be reduced to the extent necessary to avoid the loss of the deduction and the participant may elect which element of the payment will be deleted to avoid the loss.

G. Stock options held by an Officer will continue to be governed by the terms and conditions of the Performance Award Plan.

H. Notwithstanding anything contained in this Policy to the contrary, the Company's "Enhanced Partner Benefit Program" with respect to severance pay and related matters is hereby terminated and superseded by this Policy.

ARTICLE 3. BENEFITS PAYABLE UNDER THE POLICY

3.1 Special Severance Benefit Under The Policy.

A. Amount of Benefit. An Officer or Senior Officer who satisfies the

requirements for a Special Severance Benefit set forth in Section 2.1 shall receive a Special Severance Benefit as follows:

A continuation, for a defined period, depending upon tenure (as measured by full years of service as an Officer and not partial years) and role within the Company, of Base Salary and Bonus, and, for those not covered by health benefits provided by a subsequent employer or local government, the Supplemental Severance Benefit provided for in Section 3.1C.

<TABLE>  
<CAPTION>

Tenure as Officer -----	Period During Which Special Severance Benefit is Paid -----
<S>	<C>
From 0 to 3 years	3 months
From 3 years* to 5 years	6 months
From 5 years* to 10 years	9 months
More than 10 years*	12 months

</TABLE>

\*Plus one day.

A Senior Officer will be eligible for a 12 month Special Severance Benefit regardless of the length of the prior Service as an Officer with the Company. Regarding other circumstances, by

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way of example, in the case of an Officer who has been in service with the Company for 3 years and 3 months, he or she would receive 6 months of Base Salary and 6 months of the Bonus (meaning the average monthly bonus as defined

in Section 1.2). If the Officer has been in service for exactly 5 years, then the Officer would receive 9 months of Base Salary and 9 months of the Bonus. Finally, by way of example, if the Officer had been in service for 10 years and 9 months, the Officer would receive 12 months of Base Salary and 12 months of the Bonus.

Notwithstanding the foregoing, any Special Severance Benefit payable under the above schedule will be impacted by any amount attributable to any term remaining under an existing Employment Agreement with the subject Officer or Senior Officer during which period the Officer or Senior Officer being paid under the Agreement is not required to render services to the Company. Severance pay (consisting of base salary and bonus) will be compared to what amount is due under any Employment Agreement (consisting of unpaid base salary for the remaining period of the Employment Agreement), and the Officer or Senior Officer will receive the higher of these two amounts. These principles will operate as follows: A first example involves an Officer with an existing Employment Agreement who has 9 years of service and is terminated without cause 6 months after the commencement of the 12-month term in an employment agreement and is required to render no further services thereunder. In that case, the terminated Officer will receive 9 months of base salary and 9 months of bonus under this Policy (9 months of severance pay is a higher amount than 6 months of base salary due under the employment agreement). As a second example, if an Officer with an existing Employment Agreement with 11 months of service remaining and 2 years of tenure is terminated without cause, then the Officer would receive 11 months of base salary under the Employment Agreement if 11 months of base salary is a higher amount than 3 months of base salary and 3 months of bonus under this Policy.

If severance pay is higher than the base salary remaining to be paid under an employment agreement, before an Officer may receive the severance pay, the Officer must waive any further right to payments under the employment agreement.

B. Rules Concerning Calculation of Benefit.  
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(i) An Officer's years of Service as an Officer shall be calculated by dividing the Officer's days of Service since the commencement date of service as an Officer by 365.

(ii) Any Special Severance Benefit otherwise payable under this Policy to the Officer shall be reduced by the amount paid to the Officer under any country, federal, state or local law which requires a formal notice period, pay in lieu of notice, severance payments or similar payments. In addition to any deductions or offsets pursuant to Sections 3.1, there shall be deducted from each payment under the Policy all taxes and other withholdings that are required to be withheld by the Company with respect to such payment.

(iii) Once an Officer who has received a Special Severance Benefit under this Policy is reemployed by the Company, the payment of Special Severance Benefits shall cease.

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(iv) Payment pursuant to this Section 3.1 shall not commence before the Severance Date.

(v) Any and all amounts which the Administrator determines are due and payable by the terminating or terminated Officer to the Company, including, by way of example only, unearned wages paid by the Company to the Officer which should be repaid to the Company, or Company loans to the Officer which are due and payable to the Company, shall, to the extent permitted by law, be deducted or offset from any amount due the Officer hereunder.

(vi) In no event shall the total sum of the Special Severance Benefit payable under this Policy exceed 12 months of Base Salary and 12 months of the Bonus, except for payments under Section 3.1(C).

C. In addition to the foregoing Special Severance Pay Benefit, the following Supplemental Severance Benefit will be provided to Officers who satisfy the requirements for a Special Severance Benefit set forth in Section 2.1: payment of a stipend equal to the cost of the local health benefits made available by the Company, provided that the Officer is not eligible to participate in health insurance from a new employer or from a local government.

D. Eligibility for the Special Severance Benefit provided hereunder shall not be affected by an Officer's acceptance of a new job with another employer, except that, if health insurance coverage is provided through such new employer, the Supplemental Severance Benefit shall cease. Each Officer who is subsequently re-employed and receives Special Severance Benefits must notify the Company of that re-employment and will so confirm in writing that the Officer has a duty to do so at the date of termination.

3.2 Payment of Special Severance Pay Benefit.

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A. The Special Severance Benefit payable under this Policy will be paid in the form of periodic payments commencing as soon as administratively feasible following the later of (1) the applicable Severance Date or (2) the date an executed, delivered and valid release of all claims against the Company and its agents as required by Section 2.1 becomes irrevocable. The periodic payments shall be paid in accordance with the regular payroll practices in increments (i.e., on a weekly, semi-monthly, or monthly basis) that conform to the Company's local practices for similarly-situated active Officers.

B. In the event that an Officer who is receiving a Special Severance Benefit under this Policy in the form of periodic payments dies before all of the payments are made, the remaining payments will be paid as soon as feasible in a single lump sum to such Officer's estate.

C. Interest shall not be payable on any Special Severance Benefit payment.

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#### ARTICLE 4. POLICY ADMINISTRATION

##### 4.1 Powers and Duties of The Administrator. -----

A. The Company, through the EVP-OD, or any other Officer selected by management of the Company, shall be the Policy administrator (as defined in Section 3(16)(A) of ERISA).

B. The Administrator may delegate certain of its duties as provided hereunder to one or more of the officers or employees of the Company. The Administrator and its delegates shall be named fiduciaries of the Policy to the extent required by ERISA. The Administrator shall enforce the Policy in accordance with its terms, and shall be charged with the general administration of the Policy, subject to delegation to the EVP-OD or Claims Committee as provided herein. In accordance with Section 4.5, the Administrator shall have all powers and duties necessary to enforce and administer the Policy and to accomplish its purposes, including, but not limited to, the following:

(i) To determine all questions relating to the eligibility of Officers to receive payments hereunder;

(ii) To construe and interpret the terms and provisions of the Policy;

(iii) To determine and compute the amount and timing of payments payable to Officers;

(iv) To issue directions to the Company concerning all benefits which are to be paid from the Company's general assets pursuant to the provisions of the Policy, and warrant that all such directions are in accordance with the Policy;

(v) To maintain all the necessary records for the administration of the Policy;

(vi) To provide for disclosure of all information and filing or provision of all reports and statements to Officers or governmental bodies as shall be required by ERISA;

(vii) To make and publish such rules for the regulation of the Policy as are not inconsistent with the terms hereof; and

(viii) To establish claims procedures consistent with regulations of the Secretary of Labor for presentation of claims by Officers for Policy benefits, consideration of such claims, review of claim denials and issuance of decisions on review. Such claims procedures at a minimum shall consist of the following:

(a) The Administrator or its delegates shall notify Officers of their right to claim benefits under the claims procedures, may make forms available for filing of such claims, and shall provide the name of the person or persons with whom such claims should be filed.

(b) The Administrator or its delegates shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than 60 days after the date of the claim, unless special circumstances require an extension of time for processing the claim. If an extension is required, notice of the extension shall be furnished to the

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claimant prior to the end of the initial 60-day period, which notice shall indicate the reasons for the extension and the expected decision

date. The extensions shall not exceed 60 days. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within the period described in the preceding three sentences. Every claim for benefits which is affirmatively denied by written notice shall set forth, in a manner calculated to be understood by the claimant, (i) the specific reason or reasons for the denial, (ii) specific reference to any provisions of the Policy on which denial is based, (iii) description of any additional material or information necessary for the claimant to perfect his or her claim with an explanation of why such material or information is necessary, and (iv) an explanation of the procedure for further review of the denial of the claim under the Policy.

(c) The Administrator shall establish a procedure for review of claim denials, such review to be undertaken by the Claims Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his or her duly authorized representative having 60 days after receipt of denial of his or her claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing.

(d) The Claims Committee shall establish a procedure for purposes of claims for benefits under this Policy which will ensure that issuance of a decision by it occurs not later than 60 days after receipt of a request for a review of claim denials by a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than 120 days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of the Policy on which the decision is based.

4.2 Transmittal of Information. In order to enable the party selected to serve

as staff for the Administrator to perform his or her functions under the Policy, the Company shall supply full and timely information on all matters relating to the compensation of Officers, their employment, retirement, death, or the cause for termination of employment and such other pertinent facts as may be required by that party.

4.3 Reports. Upon request of the CEO, the staff supporting the Administrator

shall prepare, or cause to be prepared, and shall submit to the CEO of the Company a report with respect to the administration of the Policy that fully informs the CEO of the discharge by the Administrator of his or her responsibilities under the Policy.

4.4 Compensation, Expenses, Indemnity and Liability.

A. The Administrator, his or her delegates and the members of the Claims Committee shall serve without compensation for their services hereunder.

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B. The Administrator is authorized at the expense of the Company to employ such legal counsel, and make use of clerical or other personnel, as he or she may deem advisable to assist in the performance of his or her duties hereunder.

C. To the extent permitted by applicable law and the Company's articles and bylaws, the Company shall indemnify and save harmless the Administrator, any Officers of the Company to whom the Administrator has delegated his or her duties under the Policy and the members of the Claims Committee against any and all expenses, liabilities and claims, including legal fees paid to defend against such liabilities and claims, arising out of their discharge of responsibilities in good faith under this Policy, excepting only expenses, liabilities and claims arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, as such indemnities are permitted under state law. Payments with respect to the indemnity and payments of expenses or fees shall be made from the general assets of the Company.

ARTICLE 5. AMENDMENT AND TERMINATION

5.1 Amendments; Discontinuance or Termination of Policy. The Claims Committee

shall have the power to amend the Policy from time to time and to amend further or cancel any such amendment. Any amendment shall be effective in the manner and at the time therein set forth, and the Company and all Officers shall be bound thereby. It is the expectation of the Company that the Policy will be

continued until all payments are made that may be payable under the Policy, but continuance of the Policy is not assumed as a contractual obligation of the Company. Only the Board may terminate the Policy. In the event that the Policy is so terminated, no Officer shall have any claim against any of the assets of the Company.

#### ARTICLE 6. MISCELLANEOUS

##### 6.1 Limitation on Officers' Rights.

A. This Policy shall not give any Officer the right to be retained in the Company's employ. The Company reserves the right to dismiss any Officer with or without Cause, with or without notice, without any liability for any claim against the Company. Inclusion under the Policy will not give any Officer any right to claim any benefit hereunder except to the extent such right has specifically become fixed under the terms of the Policy. An Officer shall not have any recourse towards satisfaction of such benefit becoming fixed under the terms of the Policy from other than the general assets of the Company.

B. Except as otherwise provided herein, this Policy shall not give any Officer the right to any benefit provided to other Officers retained in the Company's employ. Except as may otherwise be provided herein or required by law, such benefits shall be terminated as of the Officer's Severance Date.

##### 6.2 Unsecured General Creditor. All Officers and their heirs, successors,

assigns and personal representatives shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company with respect to benefits payable under the Policy. No assets

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of the Company shall be held under any trust, or held in any way as collateral security, for the fulfillment of the obligations of the Company under the Policy. The Company's assets shall be, and remain, the general, unpledged, unrestricted assets of the Company. The Company's obligation under the Policy shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of all Officers shall be no greater than those of unsecured general creditors.

##### 6.3 Restriction Against Alienation. None of the benefits, payments, proceeds

or claims of any Officer shall be subject to any claim of any creditor and, in particular, the same shall not be subject to attachment or garnishment or other legal process by any creditor, nor shall any such Officer have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Policy. Notwithstanding the above, benefits which are in pay status may be subject to a garnishment or wage assignment made pursuant to a court order, or a tax levy.

##### 6.4 Policy Year. The Year for the Policy shall be the 12-consecutive month

period ending on each April 30.

##### 6.5 Governing Law. The Policy shall be construed, administered, and governed

in all respects under applicable federal law of the United States or the federal law of the applicable foreign jurisdiction, and to the extent that federal law is inapplicable, under the laws of the State of California; provided, however, that if any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Policy being a welfare benefit plan within the meaning of Section 3(1) of ERISA. If any provision of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

##### 6.6 Headings, Not Part of Agreement. Headings and subheadings in the Policy

are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

##### 6.7 Reorganization of Company. In the event of the dissolution, merger,

consolidation, or reorganization of the Company, the Company shall use its best efforts to assure that this Policy will be adopted by the successor entity. No assurance is given, however, that this result will be achieved.

##### 6.8 Construction. As used in the Policy, the masculine gender shall include

the feminine and the singular may include the plural, unless the context clearly indicates to the contrary.

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IN WITNESS WHEREOF, the undersigned duly authorized officer executes and adopts this Special Severance Pay Policy on the date indicated below.

DATED: January 1, 2000 KORN/FERRY INTERNATIONAL

By \_\_\_\_\_

January 8, 2001

Richard M. Ferry  
Chairman of the Board  
Korn/Ferry International  
1800 Century Park East, Suite 900  
Los Angeles, California 90067

Dear Richard:

This is to confirm our understanding regarding your position and compensation in the coming years.

You will continue as Chairman of the Board of the Company through the end of your current term as a director, which expires at the annual shareholders meeting in September 2001. During your service as Chairman, you shall not be required or expected to devote more than 50% of your business time to your duties to the Company.

After you step down as Chairman, you shall have the permanent title of Founder Chairman. From October 1, 2001 through September 30, 2002, you shall continue to devote approximately 25% of your business time in efforts for the Company, reporting directly to the CEO and having such duties and functions consistent with your position as are assigned to you by the CEO.

After October 1, 2002 through September 30, 2007, you will continue to have the benefits and perquisites described below. During this period, your duties shall be limited to those consulting assignments proposed by the CEO or the Board and accepted by you. You shall have no obligation to undertake assignments for the Company, but you are not to undertake positions or duties for competitors.

Compensation. For the year ending September 30, 2001, your annual salary will - -----  
be \$400,000. For the subsequent year, your salary shall be \$300,000. All amounts will be paid in accordance with the Company's normal payroll practices. After September 2002, you will not receive a direct salary.

You will continue to participate in the Company's cash incentive award plan for fiscal years through April 30, 2002. Thereafter, through September 30, 2007, you may receive bonus awards as determined from time to time by the Compensation Committee of the Board in light of your service to the Company.

Benefits & Perquisites. Until September 30, 2002, you shall continue to - -----  
participate in executive benefits plans, programs, perquisites and other arrangements sponsored or maintained by the Company from time to time in accordance with your participation in such arrangements today, including without limitation, participation in the Executive Medical Plan at the benefit level which you currently participate, and continued vesting in the Enhanced Wealth Accumulation Plan ("EWAP") and the Worldwide Executive Benefit Retirement Plan ("WEB"), and your tax preparation benefit will be continued. Thereafter, and through September 30, 2007, the

Company shall provide to you (i) at its Los Angeles offices, an office and a secretary chosen by you, (ii) medical insurance for you and your wife consistent with the insurance coverage maintained for you as of the date hereof, (iii) an annual budget of \$50,000 for community charitable activities, with expenditures in excess of \$10,000 subject to approval by the CEO, (iv) reimbursement for existing club memberships and business expenses, and an automobile allowance not less than currently paid, and (v) home office arrangements substantially equivalent to those currently provided.

Termination. The Company will not terminate you without Cause, and you may - -----  
terminate this agreement for Good Reason (each of which terms are defined on Annex A). If your employment is terminated by the Company without Cause or by Executive for Good Reason then the Company shall: (i) pay to you within 30 days your accrued compensation through the termination date and a lump sum payment equal to the remaining base salary to be paid to you through September 30, 2002; (iii) continue your vesting in EWAP and WEB through September 30, 2002; and (iv) you shall continue to participate at the same levels and for the term indicated above under "Benefits & Perquisites" with respect to the Company's benefit plans, programs, perquisites and other arrangements in which you participated prior to your termination (or, if such continuation is not possible or practical, a lump sum payment comparable to the Company's cost of continuing such participation).

If this letter accurately sets forth our understanding regarding the terms of your continuing employment, please sign a copy in the space below and return a signed copy to me.

Sincerely,

/s/ Windle B. Priem

Chief Executive Officer and  
President

Acknowledged and Agreed:

/s/ Richard M. Ferry

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Annex A

For purposes of this letter, "Cause" means: (i) Executive is convicted of a felony involving moral turpitude, or (ii) Executive engages in activities in competition with the Company or solicits any employee to leave the employment of the Company to work with any competitive enterprise, or (iii) Executive engages in conduct that constitutes gross neglect or gross misconduct in carrying out his duties under this agreement, unless the Executive believed in good faith that such act or failure to act was in the best interests of the Company.

For purposes of this letter, "Good Reason" means, any if the following occur without the Executive's prior written consent:

- (a) the Company reduces Executive's duties or responsibilities or assigns him duties which are materially inconsistent with his duties as Chairman or Founder Chairman; or
- (b) the Company reduces Executive's then current Base Salary or terminates or materially reduces any employee benefit or perquisite enjoyed by him (other than as part of an across-the-board reduction applicable to all senior 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; or
- (d) the Company reduces Executive's title or removes him as Chairman prior to September 30, 2001;
- (e) 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.



AMENDMENT NO. 1 TO  
LOAN AGREEMENT

This Amendment No. 1 to Loan Agreement (this "Amendment"), dated as of January 30, 2001, is entered into with reference to the Loan Agreement (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") dated as of October 31, 2000 among Korn/Ferry International, a Delaware corporation ("Borrower"), each lender from time to time a party thereto (each a "Lender" and collectively, the "Lenders"), Bank of America, N.A., as Administrative Agent for itself and the other Lenders (in such capacity, the "Administrative Agent"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Loan Agreement. Section references herein relate to the Loan Agreement unless otherwise stated.

The parties hereto hereby agree as follows:

1. Section 6.15 - Foreign Subsidiaries. Section 6.15 is hereby amended and restated in full to read as follows:

"6.15 Foreign Subsidiaries. So long as the conditions set forth in Section 8.3 shall not have been satisfied, for each time period set forth below, permit the sum of Cash, Cash Equivalents and marketable securities held by the Foreign Subsidiaries, on a cumulative basis, to exceed the amount set forth opposite such time period:

Time Period	Maximum Permitted
Closing Date through and including April 30, 2001	\$62,000,000
May 1, 2001 and thereafter	\$45,000,000"

2. Section 8.3 - Post Closing Conditions. Each of the parties hereto hereby agrees that (a) each of the conditions set forth in Section 8.3 of the Loan Agreement shall be satisfied, in form and substance satisfactory to the Administrative Agent and the Lenders, on or prior to April 30, 2001 and (b) the failure to satisfy such conditions on or before such date shall constitute an Event of Default under the Loan Agreement.

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

4. Exhibit I - Pledge Agreement. Each of the parties hereto hereby agrees that (a) the Pledge Agreement, in the form attached to the Loan Agreement as Exhibit I, has not been delivered pursuant to the terms of Section 8.13 of the Loan Agreement and (b) the

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Pledge Agreement attached to the Loan Agreement as Exhibit B is hereby amended and restated in full in the form of Annex II attached to the Amendment. Each of the parties hereto acknowledges that the only amendments to such Pledge Agreement are reflected on Schedule I thereto.

5. Effectiveness. This Amendment shall become effective on such date as the Administrative Agent shall have received duly executed counterparts of (a) this Amendment and (b) Annex III attached hereto, each signed by each Party thereto, each of the which shall be in form and substance satisfactory to the Administrative Agent and the Lenders (the "Effective Date").

6. Representations and Warranties. Except (i) for representations and warranties which expressly relate to a particular date or which are no longer true and correct as a result of a change permitted by the Loan Agreement

or the other Loan Documents or (ii) as disclosed by Borrower and approved in writing by the Requisite Lenders, the Borrower hereby represents and warrants that each representation and warranty made by Borrower in Article 4 of the Loan

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Agreement (other than Sections 4.6 and 4.10) are true and correct as of the

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date hereof as though such representations and warranties were made on and as of the date hereof. Without in any way limiting the foregoing, Borrower represents and warrants to the Administrative Agent and the Lenders that no Default or Event of Default has occurred and remains continuing or will result from the consents, waivers, amendments or transactions set forth herein or contemplated hereby.

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

IN WITNESS WHEREOF, Borrower, the Administrative Agent and the Lenders have executed this Agreement as of the date first set forth above by their duly authorized representatives.

KORN/FERRY INTERNATIONAL, a Delaware  
corporation

By: /s/ Donald E. Jordan

\_\_\_\_\_  
Name: Donald E. Jordan  
Title: Senior Vice President, Finance

BANK OF AMERICA, N.A., as Administrative Agent  
and sole Lender

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By: /s/ David J. Stassel

\_\_\_\_\_  
David J. Stassel, Vice President

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ANNEX I

EXHIBIT B  
-----

COMPLIANCE CERTIFICATE  
-----

TO: BANK OF AMERICA, N.A.

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

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

I. Section 5.12(a)--Acquisitions.  
-----

During the Fiscal Year (or portion thereof) ending on the Test Date, the aggregate consideration paid for (i) Investments permitted by Section 6.11(e) of the Loan Agreement where the Borrower's proportionate share of the Target EBITDA is less than zero and (ii) all Permitted Acquisitions of targets with a Target EBITDA of less than zero was \$ \_\_\_\_\_ in cash and \$ \_\_\_\_\_ in equity securities of Borrower.

Maximum Permitted:

(A) \$15,000,000 (excluding, for the Fiscal Year ending April 30, 2001, any consideration paid for Permitted Acquisitions and such Investments closed or made prior to the Closing Date) paid in cash and

(B) \$10,000,000 (excluding, for the Fiscal Year ending April 30, 2001, any consideration paid for Permitted Acquisitions and such

Investments closed or made prior to the Closing Date) in the form of equity securities of Borrower or any of its Subsidiaries (provided that where such

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consideration is in the form of equity securities of a Subsidiary of Borrower, Borrower shall at all times maintain a controlling voting interest therein)

II. Section 6.5(b) and (d)--Distributions.  
-----

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

Maximum Permitted: \$500,000

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

Maximum Permitted: \$20,000,000

-1-

III. Section 6.8(d) and (g)--Indebtedness and Contingent Obligations.  
-----

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

Maximum Permitted: \$75,000,000

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

Maximum Permitted: \$10,000,000

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

Maximum Permitted: \$45,000,000

IV. Section 6.9(d)--Liens; Negative Pledges; Sales and Leasebacks.  
-----

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

Maximum Permitted: \$5,000,000

V. Section 6.10(b)--Transactions with Affiliates.  
-----

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

Maximum Permitted: \$1,000,000

VI. Section 6.11(e) and (f)--Investments.  
-----

A. During the Fiscal Year (or portion thereof ) ending on the Test Date, the aggregate consideration paid for all Investments consisting of the acquisition of less than a fifty-one percent (51%) voting interest in the target of such acquisition was \$\_\_\_\_\_.

Maximum Permitted: \$15,000,000 (excluding, for the Fiscal Year ending April 30, 2001, any consideration paid for any such Investment prior to the Closing Date)

B. As of the Test Date, the aggregate amount of Investments made or suffered to exist by Borrower and its Subsidiaries other than as allowed by Section 6.11(a) through 6.11(e), inclusive, was \$\_\_\_\_\_.

Maximum Permitted: \$7,500,000

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VII. Section 6.12--Fixed Charge Coverage Ratio.  
-----

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

The Minimum Permitted Fixed Charge Coverage Ratio is as follows:/1/

Fiscal Quarters Ending During the Period -----	Minimum Ratio -----
Closing Date through January 30, 2001	0.80:1.00
January 31, 2001 through April 29, 2001	0.90:1.00
April 30, 2001 through April 29, 2002	1.10:1.00
April 30, 2002 and thereafter	1.25:1.00

Fixed Charge Coverage Ratio -- Component Calculations.  
-----

As of the Test Date, the ratio of:

-----

(a) the sum of (i) EBITDA for the four

----

Fiscal Quarter period ending on the  
Test Date (as calculated below) \$ \_\_\_\_\_

minus (ii) Capital Expenditures paid in cash

-----

during such period but excluding amounts  
financed by Capital Leases and purchase  
money financing (provided, that for each

-----

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

minus (iii) income taxes payable for that

-----

period \$ \_\_\_\_\_

equals (a) [(i)-(ii)-(iii)] \$ \_\_\_\_\_

-----

to:

(b) the sum of

----

(i) Interest Expense paid in cash during  
such fiscal period \$ \_\_\_\_\_

plus (ii) the Amortization Adjustment for

-----

/1/ However, if Borrower shall make any Permitted Stock Repurchase, the Fixed Charge Coverage Ratio for fiscal periods ending July 31, 2001 and thereafter shall be not less than 1.25:1.00.

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such fiscal period \$ \_\_\_\_\_

plus (iii) all principal payments

-----

(including, without limitation, all  
scheduled payments and any  
prepayments) on all Indebtedness  
of Borrower and its Subsidiaries  
during such fiscal period \$ \_\_\_\_\_

plus (iv) commencing with the Fiscal

-----

Quarter ending July 31, 2001, the  
aggregate principal amount paid during  
such fiscal period with respect to  
Permitted Stock Repurchases. \$ \_\_\_\_\_

equals (b) [(i)+(ii)+(iii)+(iv)] \$ \_\_\_\_\_

-----

equals Fixed Charge Coverage Ratio [(a)/(b)] \_\_\_\_:1.00

VIII. Section 6.13--Leverage Ratio: The Leverage Ratio (as calculated below)

was \_\_\_\_\_ : 1.00.

Maximum Permitted: 1.50:1.00

Leverage Ratio -- Component Calculations.

(a) Total Funded Debt of Borrower and its Subsidiaries  
as of the Test Date (as calculated below) \$ \_\_\_\_\_  
divided by (b) EBITDA of Borrower and its Subsidiaries  
-----  
for the fiscal period consisting of the Test Fiscal Quarter  
and the three immediately preceding Fiscal Quarters  
(the "Test Period") (as calculated below) \$ \_\_\_\_\_  
equals Leverage Ratio [(a)/(b)] \_\_\_\_\_ : 1.00  
-----

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

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

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

EBITDA - Component Calculations.

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

(a) Net Income (or net loss) for the Test Period \$ \_\_\_\_\_  
plus (b) without duplication and to the extent deducted from revenues  
-----  
in determining Net Income (or net loss), the sum of:  
-----  
(i) the aggregate amount of Interest Expense  
for the Test Period \$ \_\_\_\_\_  
plus (ii) the aggregate amount of income tax  
-----  
expense for the Test Period \$ \_\_\_\_\_

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plus (iii) all amounts attributable to amortization

-----  
and depreciation for the Test Period \$ \_\_\_\_\_

plus (iv) non-cash charges during such period

-----  
which do not reflect cash expenditures and which  
are not expected to result in cash expenditures  
during the term of the Loan Agreement \$ \_\_\_\_\_

equals (b) [(i)+(ii)+(iii)+(iv)] \$ \_\_\_\_\_  
-----

minus (c) the sum without duplication and to the extent  
-----  
added to revenues in determining Net Income for such period:

(i) non-cash gains during the Test Period \$ \_\_\_\_\_

plus (ii) gains (or minus losses) on sales of fixed  
-----  
assets during the Test Period \$ \_\_\_\_\_

equals (c) [(i)+(ii)] \$ \_\_\_\_\_  
-----

equals EBITDA [(a)+(b)-(c)] \$ \_\_\_\_\_  
-----

IX. Section 6.14--Minimum Quick Ratio: As of the Test Date, the Quick Ratio

-----  
(as calculated below) was \_\_\_\_\_: 1.00.

Minimum Permitted: 0.75:1.00 (0.85:1.00 if the aggregate  
Permitted Seller Indebtedness  
incurred by Subsidiaries of  
Borrower exceeded \$25,000,000  
at any time during the Fiscal  
Quarter ending on the Test Date)

Quick Ratio Component Calculations.

-----  
As of the Test Date, the ratio of:

(a) the sum of (i) Borrower's and its Subsidiaries'

-----  
current Cash and Cash Equivalents \$ \_\_\_\_\_

plus (ii) marketable securities plus

-----  
trade accounts receivable \$ \_\_\_\_\_

equals (a) [(i) +(ii)] \$ \_\_\_\_\_  
-----

to (b) the sum of (i) the current liabilities

-----  
of Borrower and its Subsidiaries \$ \_\_\_\_\_

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plus (ii) to the extent not included

-----  
in current liabilities, the aggregate

outstanding principal amount  
under the Loan Agreement \$ \_\_\_\_\_

equals (b) [(i) + (ii)] \$ \_\_\_\_\_  
-----

equals [(a)/(b)] \_\_\_\_\_:1:00  
-----

X. Section 6.15--Foreign Subsidiaries. (Apply only so long as the conditions

-----  
set forth in Section 8.3 of the Loan Agreement have not been satisfied).

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

The Maximum Permitted holdings are as follows:

Time Period -----	Maximum Permitted -----
Closing Date through and including April 30, 2001 =====	\$62,000,000
May 1, 2001 and thereafter =====	\$45,000,000

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

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

KORN/FERRY INTERNATIONAL,  
a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

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ANNEX II

EXHIBIT I  
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PLEDGE AGREEMENT  
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This PLEDGE AGREEMENT (this "Agreement"), dated as of October 31, 2000, is made by KORN/FERRY INTERNATIONAL, a Delaware corporation ("Grantor"), in favor of Bank of America, N.A., as Administrative Agent under the Loan Agreement hereafter referred to, and in favor of each of the Lenders therein named (collectively, "Secured Party"), with reference to the following facts:

RECITALS  
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A. Pursuant to the Loan Agreement dated as of October 31, 2000 among Grantor, the Lenders referred to therein, and Bank of America, N.A., as Administrative Agent (as amended, extended, renewed, supplemented or otherwise modified from time to time, the "Loan Agreement"), the Lenders have agreed to extend certain credit facilities to Grantor.

B. The Loan Agreement provides, as a condition precedent to the Lenders' obligation to extend credit facilities to Grantor, that Grantor shall enter into this Agreement, and shall pledge certain Pledged Collateral to Secured Party, all under the terms and conditions set forth in this Agreement.

AGREEMENT  
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NOW, THEREFORE, in order to induce the Lenders to extend credit facilities to Grantor under the Loan Agreement, and for other good and valuable consideration, the receipt and adequacy of which hereby are acknowledged, Grantor hereby represents, warrants, covenants, agrees, and pledges as follows:

1. Definitions. This Agreement is the Pledge Agreement referred to  
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in the Loan Agreement. Terms defined in the Loan Agreement and not otherwise defined in this Agreement shall have the meanings given those terms in the Loan Agreement as though set forth herein in full. The following terms shall have the meanings respectively set forth after each:

"Certificates" means all certificates, instruments or other documents  
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now or hereafter representing or evidencing any Pledged Securities.

"Distributions" means dividends, distributions, redemption payments,  
-----

liquidation payments, and all rights to any of the foregoing.

"Issuer" means any issuer of any Pledged Securities.  
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"Pledged Collateral" means any and all property of Grantor now or

-----  
hereafter pledged

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and delivered to Secured Party pursuant to this Agreement, and includes without limitation (a) the Pledged Securities, and any Certificates or other written evidences representing such Pledged Securities and any interest of Grantor in the entries on the books of any securities intermediary or financial intermediary pertaining thereto, (b) all proceeds and products of any of the foregoing, and (c) any and all collections, Distributions, interest or premiums with respect to any of the foregoing.

"Pledged Securities" means:  
-----

(a) sixty-five percent (65%) of the capital stock or member or  
-----  
other equity interests in each of the Foreign Subsidiaries listed on  
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Schedule I hereto (each a "Designated Foreign Subsidiary" and  
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collectively, the "Designated Foreign Subsidiaries"), (b) any and all securities now or hereafter issued in substitution, exchange or replacement therefor, or with respect thereto, and (c) any and all warrants, options or other rights to subscribe to or acquire any additional capital stock or member or other equity interests in any Designated Foreign Subsidiary (except that in no event shall more  
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than sixty-five percent (65%) of the capital stock or member or other equity interest of any Designated Foreign Subsidiary be pledged to Secured Party hereunder).

"Secured Party" means the Administrative Agent (acting as the  
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Administrative Agent and/or on behalf of the Lenders), and the Lenders, and each of them, and any one or more of them. Subject to the terms hereof and of the Loan Agreement, any right, remedy, privilege or power of Secured Party may be exercised by the Administrative Agent, or by the Requisite Lenders, or by any Lender acting with the consent of the Requisite Lenders.

2. Incorporation of Representations, Warranties, Covenants and Other  
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Provisions of Loan Documents. This Agreement is one of the Loan Documents  
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referred to in the Loan Agreement. All representations, warranties, affirmative and negative covenants and other provisions contained in any Loan Document that are applicable to Loan Documents generally are fully applicable to this Agreement and are incorporated herein by this reference as though set forth herein in full. In addition, Grantor hereby represents and warrants to Secured Party as follows:

(a) Grantor has good and marketable title to the Pledged Collateral in which Grantor is purporting to grant a security interest to Administrative Agent on behalf of Secured Party, and the Pledged Collateral is not subject to any Lien other than Permitted Encumbrances and other encumbrances permitted pursuant  
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to the Loan Agreement;

(b) Grantor has the right and power to pledge the Pledged Collateral owned by Grantor to Administrative Agent on behalf of Secured Party without the consent, approval or authorization of, or notice to, any Person (other than such consents, approvals, authorization or notices which have been obtained or given prior to the date hereof) and such pledge constitutes the valid, binding and enforceable obligation of Grantor, enforceable against Grantor in accordance with the terms hereof and the other Loan Documents, except as enforcement may be limited by Debtor Relief Laws or equitable principles relating to the granting of specific performance and other

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equitable remedies as a matter of judicial discretion;

(c) Upon delivery to Administrative Agent of the Pledged Collateral referred to in this Agreement, Administrative Agent will have a first priority perfected security interest in the Pledged Collateral securing the Obligations;

(d) All shares of capital stock or member or other equity interest that constitute a portion of the Pledged Collateral are duly authorized, validly issued in accordance with all applicable Laws, fully paid and non-assessable, and represent sixty-five percent (65%) of the issued and outstanding shares of common stock or member or other equity interest of each of the Designated Foreign Subsidiaries.

3. Creation of Security Interest.  
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3.1 Pledge of Pledged Collateral. Grantor hereby pledges to

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Administrative Agent on behalf of Secured Party and grants to Administrative Agent on behalf of Secured Party a security interest in and to all Pledged Collateral for the benefit of Secured Party, together with all products, proceeds, Distributions, Cash, instruments and other Property, and any and all rights, titles, interests, privileges, benefits and preferences appertaining or incidental to the Pledged Collateral (provided that in no event shall more than

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sixty-five percent (65%) of the capital stock or member or other equity interest of any Designated Foreign Subsidiary be pledged to Secured Party hereunder). The security interest and pledge created by this Section 3.1 shall continue in

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effect so long as any Obligation is owed to Secured Party or any commitment to extend credit to the Grantor under the Loan Documents remains outstanding from the Lenders.

3.2 Delivery of Certain Pledged Collateral. Promptly following the

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execution of this Agreement, Grantor shall cause to be pledged and delivered to Administrative Agent for the benefit of Secured Party the Certificates evidencing the capital stock listed on Schedule 1 hereto. Following the Closing

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Date, additional Pledged Collateral may from time to time be delivered to Administrative Agent for the benefit of Secured Party by agreement between Secured Party and Grantor. All Certificates at any time delivered to Administrative Agent for the benefit of Secured Party shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Secured Party. Administrative Agent shall hold all Certificates pledged hereunder pursuant to this Agreement unless and until released in accordance with Section 3.3 or Section 13 of this Agreement.

3.3 Release of Pledged Collateral. Pledged Collateral that is

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required to be released from the pledge and security interest created by this Agreement in order to permit Grantor to consummate any disposition of stock or assets, merger, consolidation, amalgamation, acquisition, or dividend payment or distribution that Grantor is entitled to consummate pursuant to the Loan Documents, if any, shall be so released by Administrative Agent at such times and to the extent necessary to permit Grantor to consummate such permitted transactions promptly following Administrative Agent's receipt of written request therefor by Grantor specifying the purpose for which release is requested and such further certificates or other documents as Administrative Agent on behalf of Secured Party reasonably shall request in its discretion to confirm that Grantor is permitted to

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consummate such permitted transaction and to confirm Secured Party's replacement Lien on appropriate collateral (unless replacement collateral is not required pursuant to the Loan Documents). Any request for any permitted release shall be transmitted to Administrative Agent on behalf of Secured Party. Administrative Agent, at the expense of Grantor, promptly shall redeliver all Certificates and shall execute and deliver to Grantor all documents requested by Grantor that are reasonably necessary to release Pledged Collateral of record whenever Grantor shall be entitled to the release thereof in accordance with this Section 3.3.

4. Security for Obligations. This Agreement and the pledge and

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security interests granted herein secure the prompt payment, in full in cash, and full performance of, all Obligations, whether for principal, interest, fees, expenses or otherwise, including, without limitation, all Obligations of Grantor now or hereafter existing under the Loan Documents and all interest that accrues on all or any part of any of the Obligations of Grantor after the filing of any petition or pleading against Grantor or any other Person for a proceeding under any Debtor Relief Law.

5. Further Assurances. Grantor agrees that at any time, and from

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time to time, at its own expense Grantor will promptly execute, deliver and file or record all further financing statements, instruments and documents, and will take all further actions, including, without limitation, causing the issuers of, or obligors on any of the Pledged Collateral to so execute, deliver, file or take other actions, that may be necessary or desirable, or that Secured Party reasonably may request, in order to perfect and protect any pledge or security interest granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral and to preserve, protect and maintain the Pledged Collateral and the value thereof, including, without limitation, payment of all taxes, assessments and other charges imposed on or relating to the Pledged Collateral. Grantor hereby (a) irrevocably directs the issuers of or obligors on any such Pledged Collateral, or each securities intermediary, registrar, transfer agent or trustee for any

such Pledged Collateral, to accept the provisions of this Agreement as conclusive evidence of the right of Secured Party to effect any transfer or exercise any right hereunder or with respect to any such Pledged Collateral, notwithstanding any other notice or direction to the contrary heretofore or hereafter given by Grantor or any other Person to any of such parties; and (b) covenants and agrees to transfer or reinvest any such Pledged Collateral, immediately upon Secured Party's request, in such manner as may be deemed necessary or desirable by Secured Party to create and perfect, and to continue and preserve, an indefeasible security interest in such Pledged Collateral in favor of Administrative Agent on behalf of Secured Party, or the priority, control and exclusivity thereof, free of all other Liens and claims except as may be permitted by the terms hereof or of the Loan Agreement.

6. Voting Rights; Dividends; etc. So long as no Event of Default  
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under the Loan Agreement occurs and remains continuing:

6.1 Voting Rights. Grantor shall be entitled to exercise any and all  
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voting and other consensual rights pertaining to the Pledged Securities, or any part thereof, for any purpose not inconsistent with the terms of this Agreement, the Loan Agreement, or the other Loan Documents.

6.2 Interest and Distribution Rights. Grantor shall be entitled to  
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receive and to retain and use any and all interest, premiums or Distributions paid in respect of the Pledged

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Collateral; provided, however, that any and all such Distributions received in  
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the form of capital stock (or other equity interest) shall be, and the Certificates representing such capital stock (or other equity interest) forthwith shall be delivered to Administrative Agent to hold as, Pledged Collateral and shall, if received by Grantor, be received in trust for the benefit of Secured Party, be segregated from the other property of Grantor, and forthwith be delivered to Administrative Agent for the benefit of Secured Party as Pledged Collateral in the same form as so received (with any necessary endorsements). Notwithstanding the foregoing sentence, Grantor shall not be required to deliver to Administrative Agent to hold as Pledged Collateral any Distributions received in the form of capital stock (or other equity interest), and such Distributions shall not constitute Pledged Collateral, to the extent that (a) such capital stock (or other equity interest) represents an equity interest in a Designated Foreign Subsidiary and (b) Secured Party's receipt of such capital stock (or other equity interest) would cause Secured Party to obtain a pledge pursuant to this Agreement of greater than sixty-five percent (65%) of the applicable equity interest of the applicable Designated Foreign Subsidiary.

7. Rights During Event of Default. When an Event of Default has  
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occurred and is continuing:

7.1 Voting and Distribution Rights. At the option of Secured Party,  
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all rights of Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6.1 above, and to

receive the interest, premiums and Distributions which it would otherwise be authorized to receive and retain pursuant to Section 6.2 above, shall cease, and  
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all such rights shall thereupon become vested in Administrative Agent for the benefit of Secured Party who shall thereupon, at the direction of Administrative Agent, have the sole right to exercise such voting and other consensual rights and to receive and to hold as Pledged Collateral such Distributions, provided,

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however, that Grantor's rights to receive Distributions pursuant to Section 6.2  
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above shall not cease with respect to, and Secured Party shall not have the right to receive and hold as Pledged Collateral, any Distributions made in respect of the Pledged Collateral in the form of capital stock (or other equity interest), or the Certificates representing such capital stock (or other equity interest), to the extent that (a) such capital stock (or other equity interest) represents an equity interest in a Designated Foreign Subsidiary and (b) Secured Party's receipt of such capital stock (or other equity interest) would cause Secured Party to obtain a pledge pursuant to this Agreement of greater than sixty-five percent (65%) of the applicable equity interest of the applicable Designated Foreign Subsidiary. Administrative Agent shall give notice to Grantor of Secured Party's election to exercise voting rights with respect to the Pledged Collateral; provided, however, that (i) neither the giving of such  
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notice nor the receipt thereof by Grantor shall be a condition to exercise of any rights of Secured Party hereunder, and (ii) neither Administrative Agent nor any Lender shall incur any liability for failing to give such notice.

7.2 Distributions Held in Trust. All Distributions which are

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received by Grantor contrary to the provisions of this Agreement shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Grantor, and forthwith shall be paid over to Administrative Agent for the account of Secured Party as Pledged Collateral in the same form as so received (with any necessary endorsements).

7.3 Irrevocable Proxy. Grantor hereby revokes all previous proxies

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with

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regard to the Pledged Securities and appoints Administrative Agent for the benefit of Secured Party as its proxyholder to attend and vote at any and all meetings of the shareholders (or other equity holders, as applicable) of the corporations (or other entities, as applicable) which issued the Pledged Securities, and any adjournments thereof, held on or after the date of the giving of this proxy and prior to the termination of this proxy and to execute any and all written consents of shareholders (or other equity holders, as applicable) of such corporations (or other entities, as applicable) executed on or after the date of the giving of this proxy and prior to the termination of this proxy, with the same effect as if Grantor had personally attended the meetings or had personally voted the Pledged Securities or had personally signed the written consents; provided, however, that the proxyholder shall have rights

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hereunder only upon the occurrence and during the continuance of an Event of Default under the Loan Agreement. Grantor hereby authorizes Administrative Agent to substitute another Person as the proxyholder and, upon the occurrence or during the continuance of any Event of Default, hereby authorizes and directs the proxyholder to file this proxy and the substitution instrument with the secretary or other appropriate officer of the appropriate corporation or other entity as applicable. This proxy is coupled with an interest and is irrevocable until such time as no commitment to extend credit to Grantor under the Loan Agreement remains outstanding from the Lenders and until such time as all Obligations have been paid and performed in full.

8. Transfers and Other Liens. Grantor agrees that, except as

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specifically permitted under the Loan Documents, it will not (i) sell, assign, exchange, transfer or otherwise dispose of, or contract to sell, assign, exchange, transfer or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, (ii) create or permit to exist any Lien upon or with respect to any of the Pledged Collateral, except for Permitted Encumbrances and other encumbrances permitted pursuant to the Loan Agreement, or (iii) take any action with respect to the Pledged Collateral which is inconsistent with the provisions or purposes of this Agreement or any other Loan Document.

9. Secured Party Appointed Attorney-in-Fact. Grantor hereby

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irrevocably appoints Administrative Agent for the benefit of Secured Party as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor, and in the name of Grantor, or otherwise, from time to time, in Secured Party's sole and absolute discretion to do any of the following acts or things: (a) to do all acts and things and to execute all documents necessary or advisable to perfect and continue perfected the security interests created by this Agreement and to preserve, maintain and protect the Pledged Collateral; (b) to do any and every act which Grantor is obligated to do under this Agreement; (c) to prepare, sign, file and record, in Grantor's name, any financing statement covering the Pledged Collateral; and (d) to endorse and transfer the Pledged Collateral upon foreclosure by Secured Party; provided, however, that

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Administrative Agent shall be under no obligation whatsoever to take any of the foregoing actions, and neither Administrative Agent nor any Lender shall have any liability or responsibility for any act or omission (other than Administrative Agent's or such Lender's own gross negligence or willful misconduct) taken with respect thereto. Grantor hereby agrees to repay immediately upon demand all reasonable costs and expenses incurred or expended by Secured Party in exercising any right or taking any action under this Agreement, together with interest as provided for in the Loan Agreement.

10. Administrative Agent May Perform Obligations. If Grantor fails to

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perform any Obligation contained herein, Administrative Agent for the benefit of Secured Party may, but

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without any obligation to do so and without notice to or demand upon Grantor, perform the same and take such other action as Secured Party may deem necessary or desirable to protect the Pledged Collateral or Secured Party's security interests therein, Administrative Agent being hereby authorized (without limiting the general nature of the authority hereinabove conferred) to pay,

purchase, contest and compromise any Lien which in the reasonable judgment of Secured Party appears to be prior or superior to Secured Party's security interests, and in exercising any such powers and authority to pay necessary expenses, employ counsel and pay reasonable attorneys' fees. Grantor hereby agrees to repay immediately upon demand all sums so expended by Secured Party, together with interest from the date of expenditure at the rates provided for in the Loan Agreement. Except as otherwise provided in this Agreement or other Loan Documents, neither Administrative Agent nor any Lender shall be under any duty or obligation to preserve, maintain or protect the Pledged Collateral or any of Grantor's rights or interest therein, exercise any voting rights with respect to the Pledged Collateral, whether an Event of Default has occurred or is continuing, or make or give any notices of default, presentments, demands for performance, notices of nonperformance or dishonor, protests, notices of protest or notice of any other nature whatsoever in connection with the Pledged Collateral on behalf of Grantor or any other Person having any interest therein; and neither Administrative Agent nor any Lender assumes and none shall be obligated to perform the Obligations of Grantor, if any, with respect to the Pledged Collateral.

11. Reasonable Care. Administrative Agent shall be deemed to have

exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially similar to that which Administrative Agent accords its own property, it being understood that Administrative Agent shall not have any responsibility for ascertaining or taking action with respect to maturities, calls, conversions, exchanges, tenders or other matters relative to any Pledged Collateral, whether or not Administrative Agent has or is deemed to have knowledge of such matters, or taking any necessary steps to preserve rights against any Person with respect to any Pledged Collateral.

12. Events of Default and Remedies.

12.1 Rights Upon Event of Default. Upon the occurrence and during

the continuance of an Event of Default under the Loan Agreement, Grantor shall be in default hereunder and Secured Party shall have in any jurisdiction where enforcement is sought, in addition to all other rights and remedies that Secured Party may have under this Agreement and under applicable Law or in equity, all of its rights and remedies as a secured party under the Uniform Commercial Code as enacted in any such jurisdiction, and in addition the following rights and remedies, all of which may be exercised with or without further notice to Grantor:

(a) to notify any Issuer of any Pledged Securities and any and all other obligors on any Pledged Collateral that the same has been pledged to Administrative Agent for the benefit of Secured Party and that all Distributions and other payments thereon are to be made directly and exclusively to Administrative Agent for the account of Secured Party; to renew, extend, modify, amend, accelerate, accept partial payments on, make allowances and adjustments and issue credits with respect to, release, settle, compromise, compound, collect or otherwise liquidate, on terms acceptable to Secured Party, in whole or in part, the Pledged Collateral and any amounts owing

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thereon or any guaranty or security therefor; to enter into any other agreement relating to or affecting the Pledged Collateral; and to give all consents, waivers and ratifications with respect to the Pledged Collateral and exercise all other rights (including voting rights), powers and remedies and otherwise act with respect thereto as if Secured Party were the owner thereof;

(b) to enforce payment and prosecute any action or proceeding with respect to any and all of the Pledged Collateral and take or bring, in Secured Party's name(s) or in the name of Grantor, all steps, actions, suits or proceedings deemed by Secured Party necessary or desirable to effect collection of or to realize upon the Pledged Collateral;

(c) in accordance with applicable Law, to take possession of the Pledged Collateral with or without judicial process;

(d) to endorse, in the name of Grantor, all checks, notes, drafts, money orders, instruments and other evidences of payment relating to the Pledged Collateral;

(e) to transfer any or all of the Pledged Collateral into the name of Secured Party or its nominee or nominees; and

(f) in accordance with applicable Law, to foreclose the Liens and security interests created under this Agreement or under any other agreement relating to the Pledged Collateral by any available judicial procedure or without judicial process, and to sell, assign or otherwise dispose of the Pledged Collateral or any part thereof, either at public or private sale or at any broker's board or securities exchange, in lots or in bulk, for cash, on

credit or on future delivery, or otherwise, with or without representations or warranties, and upon such terms as shall be acceptable to Secured Party;

all at the sole option of and in the sole discretion of Secured Party.

12.2 Notice of Sale. Secured Party shall give Grantor at least five  
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(5) business days' written notice of sale of all or any part of the Pledged Collateral. Any sale of the Pledged Collateral shall be held at such time or times and at such place or places as Secured Party may determine in the exercise of its sole and absolute discretion. Secured Party may bid (which bid may be, in whole or in part, in the form of cancellation of Obligations) for and purchase for the account of Secured Party or any nominee of Secured Party the whole or any part of the Pledged Collateral. Secured Party shall not be obligated to make any sale of the Pledged Collateral if it shall determine not to do so regardless of the fact that notice of sale of the Pledged Collateral may have been given. Secured Party may, without notice or publication, adjourn the sale from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned.

12.3 Private Sales. Upon the occurrence and during the continuance  
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of an Event of Default under the Loan Agreement, whether or not any of the Pledged Collateral has been effectively registered under the Securities Act of 1933, as amended, or other applicable Laws, Secured Party may, in its sole and absolute discretion, sell all or any part of the Pledged Collateral at

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private sale in such manner and under such circumstances as Secured Party may deem necessary or advisable in order that the sale may be lawfully conducted. Without limiting the foregoing, Secured Party may (i) approach and negotiate with a limited number of potential purchasers, and (ii) restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Pledged Collateral for their own account for investment and not with a view to the distribution or resale thereof. In the event that any of the Pledged Collateral is sold at private sale, Grantor agrees that if the Pledged Collateral is sold for a price which Secured Party in good faith believes to be reasonable, then, (A) the sale shall be deemed to be commercially reasonable in all respects, (B) Grantor shall not be entitled to a credit against the Obligations in an amount in excess of the purchase price, and (C) Secured Party shall not incur any liability or responsibility to Grantor in connection therewith, notwithstanding the possibility that a substantially higher price might have been realized at a public sale. Grantor recognizes that a ready market may not exist for Pledged Collateral which is not regularly traded on a recognized securities exchange or in another recognized market, and that a sale by Secured Party of any such Pledged Collateral for an amount substantially less than a pro rata share of the fair market value of such Issuer's assets minus liabilities may be commercially reasonable in view of the difficulties that may be encountered in attempting to sell a large amount of Pledged Collateral or Pledged Collateral that is privately traded.

12.4 Title of Purchasers. Upon consummation of any sale of Pledged  
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Collateral pursuant to this Section 12, Administrative Agent on behalf of  
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Secured Party shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Pledged Collateral so sold. Each such purchaser at any such sale shall hold the Pledged Collateral sold absolutely free from any claim or right on the part of Grantor, and Grantor hereby waives (to the extent permitted by applicable Law) all rights of redemption, stay and appraisal which it now has or may at any time in the future have under any rule of Law or statute now existing or hereafter enacted. If the sale of all or any part of the Pledged Collateral is made on credit or for future delivery, Secured Party shall not be required to apply any portion of the sale price to the Obligations until such amount actually is received by Secured Party, and any Pledged Collateral so sold may be retained by Secured Party until the sale price is paid in full by the purchaser or purchasers thereof. Secured Party shall not incur any liability in case any such purchaser or purchasers shall fail to pay for the Pledged Collateral so sold, and, in case of any such failure, the Pledged Collateral may be sold again upon like notice.

12.5 Disposition of Proceeds of Sale. The net cash proceeds  
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resulting from the collection, liquidation, sale or other disposition of the Pledged Collateral shall be applied, first, to the reasonable costs and expenses  
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(including reasonable attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting and liquidating the Pledged Collateral, and the like; and second, to the satisfaction of all Obligations,  
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with application as to any particular Obligations to be in the order set forth in the Loan Agreement or other Loan Documents.

13. Continuing Effect.  
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(a) This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Grantor for liquidation or reorganization, should Grantor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Grantor's assets, and shall continue to be

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effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable Law, rescinded or reduced in amount, or must otherwise be restored or returned by Administrative Agent or any Lender, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment or any part thereof is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

(b) The lien on the Pledged Collateral shall be released when (a) all Obligations of Grantor now or hereafter existing under the Loan Agreement and the other Loan Documents shall have been paid in full in cash, waived or otherwise performed and satisfied in full and (b) no portion of the Commitment remains outstanding. Following the full satisfaction and performance of such conditions, Secured Party shall return the Pledged Collateral to Grantor, or to the Person or Persons legally entitled thereto, and shall endorse, execute, deliver, record and file all instruments and documents, and do all other acts and things, reasonably required for the return of the Pledged Collateral to Grantor, or to the Person or Persons legally entitled thereto, and to evidence or document the release of Secured Party's interests arising under this Agreement, all as reasonably requested by, and at the sole expense of, Grantor.

14. Covenant Not to Issue Uncertificated Securities. Grantor  
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represents and warrants to Secured Party that all of the capital stock (or other equity interests) of each of the Issuers is in certificated form (as contemplated by Article 8 of the California Uniform Commercial Code), and covenants to Secured Party that it will not cause or permit any Issuer to issue any capital stock (or other equity interest) in uncertificated form or seek to convert all or any part of its existing capital stock (or other equity interest) into uncertificated form (as contemplated by Article 8 of the California Uniform Commercial Code). The foregoing representations, warranties and covenants shall survive the execution and delivery of this Agreement.

15. Covenant Not to Dilute Interests of Secured Party in Pledged  
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Securities. Grantor represents, warrants and covenants to Secured Party that it  
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will not at any time cause or permit any Issuer to issue any additional capital stock (or other equity interest), or any warrants, options or other rights to acquire any additional capital stock (or other equity interest), if the effect thereof would be to dilute in any way the interests of Secured Party in any Pledged Securities or in any Issuer.

16. Indemnity. Grantor agrees to indemnify and hold harmless Secured  
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Party, and each of them, from and against any and all claims, demands, losses, judgments and liabilities (including without limitation liabilities for penalties) of whatsoever kind or nature, and to reimburse Secured Party for all costs and expenses, including without limitation reasonable attorneys' fees and expenses and/or costs and expenses associated with, arising out of or in connection with this Agreement or the exercise by Secured Party of any right or remedy granted to it hereunder or under the other Loan Documents other than arising from the gross negligence or willful misconduct of Secured Party. In no event shall Secured Party be liable for any matter or thing in connection with this Agreement other than to account for monies actually received by it in accordance with the terms hereof and other than arising from its gross negligence and willful misconduct. If and to the extent

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that the agreements of Grantor under this Section 16 are unenforceable for any  
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reason, Grantor hereby agrees to make the maximum contribution to the payment and satisfaction of such Obligations which is permissible under applicable Law.

17. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN  
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ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

18. Counterparts. This Agreement may be executed in one or more  
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counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same agreement.

19. Additional Powers and Authorization. The Administrative Agent

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has been appointed as the Administrative Agent hereunder pursuant to the Loan Agreement and shall be entitled to the benefits of the Loan Agreement and the other Loan Documents. Notwithstanding anything contained herein to the contrary, the Administrative Agent may employ agents, trustees, or attorneys-in-fact and may vest any of them with any property (including, without limitation, the Pledged Collateral), title, right or power deemed necessary for the purposes of such appointment.

20. Successors and Assigns. This Agreement will be binding upon and

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inure to the benefit of Grantor, Secured Party, the Administrative Agent, and their respective successors and assigns (each of which shall be deemed to have agreed to be bound by the provisions hereof), except that Grantor may not assign  
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its rights hereunder or any interest herein without the prior written consent of all the Lenders.

21. WAIVER OF JURY TRIAL. GRANTOR AND SECURED PARTY EXPRESSLY WAIVES

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THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED OR INCIDENTAL TO THIS AGREEMENT, THE LOAN AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. GRANTOR AND SECURED PARTY AGREE THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY ARE WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, THE LOAN AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN

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EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

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IN WITNESS WHEREOF, Grantor has caused this Agreement to be duly executed as of the date first above written.

"Grantor"

KORN/FERRY INTERNATIONAL,  
a Delaware corporation

By: \_\_\_\_\_

\_\_\_\_\_  
[Printed name and title]

ACCEPTED AND AGREED  
AS OF THE DATE FIRST  
ABOVE WRITTEN:

"Secured Party"

BANK OF AMERICA, N.A.,  
as Administrative Agent for the Lenders

By: \_\_\_\_\_

\_\_\_\_\_  
[Printed name and title]

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CLOSING DATE EQUITY INTERESTS

<TABLE>

<CAPTION>

Issuer of Capital Stock or Other Equity Interest	Class of Interest	Certificate No(s).	Number of Shares	Percentage of Ownership
<S>	<C>	<C>	<C>	<C>
Korn/Ferry International (H.K.) Limited				65%
Korn/Ferry International GmbH				65%
Korn/Ferry International - Japan				65%
Korn/Ferry International, Limited				65%

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ANNEX III

CONSENT AND REAFFIRMATION OF GUARANTOR

The undersigned guarantor hereby consents to the execution, delivery and performance by Borrower and the Administrative Agent of the foregoing Amendment No. 1 to Loan Agreement ("Amendment No. 1"). In connection therewith, the undersigned expressly and knowingly reaffirms its liability under each of the Loan Documents to which it is a Party and expressly agrees (a) to be and remain liable under the terms of each such Loan Document and (b) that it has no defense, offset or counterclaim whatsoever against the Administrative Agent or the Lenders with respect to any such Loan Document.

The undersigned further agrees that each Loan Document to which it is a Party shall remain in full force and effect and is hereby ratified and confirmed.

The undersigned further agrees that the execution of this Consent and Reaffirmation of Guarantor is not necessary for the continued validity and enforceability of any Loan Document to which it is a Party, but is executed to induce the Administrative Agent and the Lenders to approve of and otherwise enter into the Amendment No. 1.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has caused this Consent and Reaffirmation of Guarantor to be executed as of January 30, 2001.

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

By: \_\_\_\_\_  
Name:  
Title:

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