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

Form 10-Q

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

For the quarterly period ended October 31, 2014

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 **(State or Other Jurisdiction of Incorporation or Organization)**	**95-2623879** **(I.R.S. Employer Identification Number)**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The number of shares outstanding of our common stock as of December 5, 2014 was 50,367,092 shares.

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PART I. FINANCIAL INFORMATION

Item 1. ***Consolidated Financial Statements***

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	October 31, 2014 (unaudited)	April 30, 2014
	(in thousands, except per share data)	
ASSETS		
Cash and cash equivalents	$ 248,190	$ 333,717
Marketable securities	25,973	9,566
Receivables due from clients, net of allowance for doubtful accounts of $10,327 and $9,513, respectively	211,718	175,986
Income taxes and other receivables	14,317	8,244
Deferred income taxes	4,068	4,486
Prepaid expenses and other assets	32,493	29,955
Total current assets	536,759	561,954
Marketable securities, non-current	125,892	124,993
Property and equipment, net	61,475	60,434
Cash surrender value of company owned life insurance policies, net of loans	98,989	94,274
Deferred income taxes, net	52,813	55,039
Goodwill	251,915	257,582
Intangible assets, net	45,491	49,560
Investments and other assets	34,569	29,830
Total assets	$ 1,207,903	$ 1,233,666
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 19,503	$ 19,375
Income taxes payable	8,240	13,014
Compensation and benefits payable	140,691	192,035
Other accrued liabilities	63,554	62,509
Total current liabilities	231,988	286,933
Deferred compensation and other retirement plans	167,653	169,235
Other liabilities	21,624	21,962
Total liabilities	421,265	478,130
Stockholders' equity:		
Common stock: $0.01 par value, 150,000 shares authorized, 62,826 and 62,282 shares issued and 50,364 and 49,811 shares outstanding, respectively	456,076	449,631
Retained earnings	348,717	308,781
Accumulated other comprehensive loss, net	(17,671)	(2,388)
Stockholders' equity	787,122	756,024
Less: notes receivable from stockholders	(484)	(488)
Total stockholders' equity	786,638	755,536
Total liabilities and stockholders' equity	$ 1,207,903	$ 1,233,666

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

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Fee revenue	$255,702	$237,968	$506,890	$466,405
Reimbursed out-of-pocket engagement expenses	9,015	8,269	18,152	17,419
Total revenue	264,717	246,237	525,042	483,824
Compensation and benefits	174,656	161,296	343,762	314,066
General and administrative expenses	30,145	35,795	67,513	75,666
Reimbursed expenses	9,015	8,269	18,152	17,419
Cost of services	9,706	11,132	19,171	20,641
Depreciation and amortization	6,779	6,580	13,549	12,524
Restructuring charges, net	—	—	9,886	3,682
Total operating expenses	230,301	223,072	472,033	443,998
Operating income	34,416	23,165	53,009	39,826
Other income, net	2,362	4,352	4,539	6,619
Interest expense, net	(920)	(638)	(1,714)	(1,229)
Income before provision for income taxes and equity in earnings of unconsolidated subsidiaries	35,858	26,879	55,834	45,216
Equity in earnings of unconsolidated subsidiaries	452	557	918	1,022
Income tax provision	10,907	8,677	16,816	16,062
Net income	$ 25,403	$ 18,759	$ 39,936	$ 30,176
Earnings per common share:				
Basic	$ 0.52	$ 0.39	$ 0.82	$ 0.63
Diluted	$ 0.51	$ 0.38	$ 0.80	$ 0.62
Weighted-average common shares outstanding:				
Basic	49,082	48,118	48,893	47,892
Diluted	49,740	48,816	49,720	48,748

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

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2014	2013	2014	2013
	(in thousands)			
Net income	$ 25,403	$18,759	$ 39,936	$30,176
Other comprehensive income:				
Foreign currency translation adjustments	(12,555)	4,368	(16,235)	1,342
Deferred compensation and pension plan adjustments, net of taxes	467	—	954	—
Unrealized gains (losses) on marketable securities, net of taxes	4	24	(2)	(33)
Comprehensive income	$ 13,319	$23,151	$ 24,653	$31,485

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

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

	Six Months Ended October 31,	
	2014	2013
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 39,936	$ 30,176
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	13,549	12,524
Stock-based compensation expense	6,959	5,792
Provision for doubtful accounts	3,770	3,087
Gain on cash surrender value of life insurance policies	(5,494)	(4,587)
Gain on marketable securities	(4,527)	(6,369)
Deferred income taxes	2,644	3,949
Change in other assets and liabilities:		
Deferred compensation	5,570	7,372
Receivables due from clients	(39,502)	(40,826)
Income tax and other receivables	(5,938)	2,325
Prepaid expenses and other assets	(2,538)	(2,373)
Investment in unconsolidated subsidiaries	(918)	(1,022)
Income taxes payable	(4,773)	3,771
Accounts payable and accrued liabilities	(56,259)	(44,928)
Other	(4,494)	(4,498)
Net cash used in operating activities	(52,015)	(35,607)
Cash flows from investing activities:		
Purchase of property and equipment	(11,305)	(11,471)
Purchase of marketable securities	(22,141)	(23,299)
Proceeds from sales/maturities of marketable securities	9,232	38,911
Change in restricted cash	—	2,861
Payment of contingent consideration from acquisition	—	(15,000)
Premiums on company-owned life insurance policies	(447)	(438)
Proceeds from life insurance policies	1,976	—
Dividends received from unconsolidated subsidiaries	318	510
Net cash used in investing activities	(22,367)	(7,926)
Cash flows from financing activities:		
Purchase of common stock	(3,748)	(1,967)
Proceeds from issuance of common stock upon exercise of employee stock options and in connection with an employee stock purchase plan	1,884	3,854
Tax benefit from exercise of stock options	1,350	137
Payments on life insurance policy loans	(705)	—
Net cash (used in) provided by financing activities	(1,219)	2,024
Effect of exchange rate changes on cash and cash equivalents	(9,926)	71
Net decrease in cash and cash equivalents	(85,527)	(41,438)
Cash and cash equivalents at beginning of period	333,717	224,066
Cash and cash equivalents at end of period	$248,190	$182,628

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

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2014

1. Organization and Summary of Significant Accounting Policies

Nature of Business

Korn/Ferry International, a Delaware corporation (the "Company"), and its subsidiaries are engaged in the business of providing talent management solutions, including executive recruitment on a retained basis, recruitment for non-executive professionals, recruitment process outsourcing and leadership & talent consulting services. The Company's worldwide network of 84 offices in 37 countries enables it to meet the needs of its clients in all industries.

Basis of Consolidation and Presentation

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended April 30, 2014 for the Company and its wholly and majority owned/controlled domestic and international subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The preparation of the consolidated financial statements conform with United States ("U.S.") generally accepted accounting principles ("GAAP") and prevailing practice within the industry. The consolidated financial statements include all adjustments, consisting of normal recurring accruals and any other adjustments that management considers necessary for a fair presentation of the results for these periods. The results of operations for the interim period are not necessarily indicative of the results for the entire fiscal year.

Investments in affiliated companies, which are 50% or less owned and where the Company exercises significant influence over operations, are accounted for using the equity method.

The Company considers events or transactions that occur after the balance sheet date but before the consolidated financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures.

Use of Estimates and Uncertainties

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates, and changes in estimates are reported in current operations as new information is learned or upon the amounts becoming fixed and determinable. The most significant areas that require management judgment are revenue recognition, restructuring, deferred compensation, annual performance related bonuses, evaluation of the carrying value of receivables, goodwill and other intangible assets, share-based payments and the recoverability of deferred income taxes.

Revenue Recognition

Substantially all professional fee revenue is derived from fees for professional services related to executive recruitment performed on a retained basis, recruitment for non-executive professionals, recruitment process outsourcing and leadership & talent consulting services. Fee revenue from executive recruitment activities and recruitment for non-executive professionals is generally one-third of the estimated first year cash compensation of the placed executive or non-executive professional, as applicable, plus a percentage of the fee to cover indirect engagement related expenses. The Company generally recognizes revenue on a straight-line basis over a three-month period, commencing upon client acceptance, as this is the period over which the recruitment services are performed. Fees earned in excess of the initial contract amount are recognized upon completion of the engagement, which reflect the difference between the final actual compensation of the placed executive and the estimate used for purposes of the previous billings. Since the initial contract fees are typically not contingent upon placement of a candidate, our assumptions primarily relate to establishing the period over which such service is performed. These assumptions determine the timing of revenue recognition and profitability for the reported period. Any revenues associated with services that are provided on a contingent basis are recognized once the contingency is resolved. In addition to recruitment for non-executive professionals, Futurestep provides recruitment process outsourcing ("RPO") services and fee revenue is recognized as services are rendered and/or as milestones are achieved. Fee revenue from Leadership & Talent Consulting ("LTC") services is recognized as services are rendered for consulting engagements and other time based services, measured by total hours incurred to the total estimated hours at completion. It is possible that updated estimates for the consulting engagement may vary from initial estimates with such updates being recognized in the period of determination.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
October 31, 2014

Depending on the timing of billings and services rendered, the Company accrues or defers revenue as appropriate. LTC revenue is also derived from the sale of solution services, which includes revenue from licenses and from the sale of products. Revenue from licenses is recognized using a straight-line method over the term of the contract (generally 12 months). Revenue from perpetual licenses is recognized when the license is sold. Products sold by the Company mainly consist of books and automated services covering a variety of topics including performance management, team effectiveness, and coaching and development. The Company recognizes revenue for its products when the product has been sold. As of October 31, 2014 and April 30, 2014, the Company included deferred revenue of $35.9 million and $36.8 million, respectively, in other accrued liabilities.

Allowance for Doubtful Accounts

An allowance is established for doubtful accounts by taking a charge to general and administrative expenses. The amount of the allowance is based on historical loss experience, assessment of the collectability of specific accounts, as well as expectations of future collections based upon trends and the type of work for which services are rendered. After the Company exhausts all collection efforts, the amount of the allowance is reduced for balances identified as uncollectible.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of October 31, 2014 and April 30, 2014, the Company's investments in cash equivalents consist of money market funds for which market prices are readily available. As of October 31, 2014 and April 30, 2014, the Company had cash equivalents of $150.8 million and $186.6 million, respectively.

Marketable Securities

The Company currently has investments in marketable securities and mutual funds which are classified as either trading securities or available-for-sale, based upon management's intent and ability to hold, sell or trade such securities. The classification of the investments in these marketable securities and mutual funds is assessed upon purchase and reassessed at each reporting period. These investments are recorded at fair value and are classified as marketable securities in the accompanying consolidated balance sheets. The investments that the Company may sell within the next twelve months are carried as current assets. Realized gains (losses) on marketable securities are determined by specific identification. Interest is recognized on an accrual basis, dividends are recorded as earned on the ex-dividend date. Interest and dividend income are recorded in the accompanying consolidated statements of income in interest expense, net.

The Company invests in mutual funds, (for which market prices are readily available) that are held in trust to satisfy obligations under the Company's deferred compensation plans (see Note 5 — *Marketable Securities*) and are classified as trading securities. Such investments are based upon the employees' investment elections in their deemed accounts in the Executive Capital Accumulation Plan and similar plans in Asia Pacific and Canada ("ECAP") from a pre-determined set of securities and the Company invests in marketable securities to mirror these elections. The changes in fair value in trading securities are recorded in the accompanying consolidated statements of income in other income, net.

The Company also invests cash in excess of its daily operating requirements and capital needs primarily in marketable fixed income (debt) securities in accordance with the Company's investment policy, which restricts the type of investments that can be made. The Company's investment portfolio includes corporate bonds. These marketable fixed income (debt) securities are classified as available-for-sale securities based on management's decision, at the date such securities are acquired, not to hold these securities to maturity or actively trade them. The Company carries these marketable debt securities at fair value based on the market prices for these marketable debt securities or similar debt securities whose prices are readily available. The changes in fair values, net of applicable taxes, are recorded as unrealized gains or losses as a component of comprehensive income. When, in the opinion of management, a decline in the fair value of an investment below its amortized cost is considered to be "other-than-temporary," a credit loss is recorded in the statement of income in other income, net; any amount in excess of the credit loss is recorded as unrealized gains or losses as a component of comprehensive income. Generally, the amount of the loss is the difference between the cost or amortized cost and its then current fair value; a credit loss is the difference between the discounted expected future cash flows to be collected from the debt security and the cost or amortized cost of the debt security. The determination of the other-than-temporary decline includes, in addition to other relevant factors, a presumption that if the market value is below cost by a significant amount for a period of time, a write-down may be necessary. During the three and six months ended October 31, 2014 and 2013, no other-than-temporary impairment was recognized.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
October 31, 2014

Fair Value of Financial Instruments

Fair value is the price the Company would receive to sell an asset or transfer a liability (exit price) in an orderly transaction between market participants. For those assets and liabilities recorded or disclosed at fair value, the Company determines the fair value based upon the quoted market price, if available. If a quoted market price is not available for identical assets, the fair value is based upon the quoted market price of similar assets. The fair values are assigned a level within the fair value hierarchy as defined below:

- *Level 1*: Observable inputs such as quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- *Level 2*: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- *Level 3*: Unobservable inputs that reflect the reporting entity's own assumptions.

As of October 31, 2014 and April 30, 2014, the Company held certain assets that are required to be measured at fair value on a recurring basis. These included cash, cash equivalents, accounts receivable and marketable securities. The carrying amount of cash, cash equivalents and accounts receivable approximates fair value due to the short maturity of these instruments. The fair values of marketable securities classified as trading are obtained from quoted market prices, and the fair values of marketable securities classified as available-for-sale are obtained from a third party, which are based on quoted prices or market prices for similar assets.

Business Acquisitions

Business acquisitions are accounted for under the acquisition method. The acquisition method requires the reporting entity to identify the acquirer, determine the acquisition date, recognize and measure the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired entity, and recognize and measure goodwill or a gain from the purchase. The acquiree's results are included in the Company's consolidated financial statements from the date of acquisition. Assets acquired and liabilities assumed are recorded at their fair values and the excess of the purchase price over the amounts assigned is recorded as goodwill, or if the fair value of the assets acquired exceeds the purchase price consideration, a bargain purchase gain is recorded. Adjustments to fair value assessments are generally recorded to goodwill over the measurement period (not longer than twelve months). The acquisition method also requires that acquisition-related transaction and post-acquisition restructuring costs be charged to expense as committed, and requires the Company to recognize and measure certain assets and liabilities including those arising from contingencies and contingent consideration in a business combination. During the six months ended October 31, 2013, the Company paid contingent consideration to the selling stockholders of PDI Ninth House ("PDI") of $15 million, as required under the merger agreement as a result of the achievement of certain pre-determined goals associated with expense synergies.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired. The goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, goodwill of the reporting unit would be considered impaired. To measure the amount of the impairment loss, the implied fair value of a reporting unit's goodwill is compared to the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. For each of these tests, the fair value of each of the Company's reporting units is determined using a combination of valuation techniques, including a discounted cash flow methodology. To corroborate the discounted cash flow analysis performed at each reporting unit, a market approach is utilized using observable market data such as comparable companies in similar lines of business that are publicly traded or which are part of a public or private transaction (to the extent available). Results of the annual impairment test performed as of January 31, 2014, indicated that the fair value of each reporting unit exceeded its carrying amount. As a result, no impairment charge was recognized. There were no indicators of impairment as of October 31, 2014 and April 30, 2014 that would have required further testing.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
October 31, 2014

Intangible assets primarily consist of customer lists, non-compete agreements, proprietary databases, intellectual property and trademarks and are recorded at their estimated fair value at the date of acquisition and are amortized in a pattern in which the asset is consumed if that pattern can be reliably determined, or using the straight-line method over their estimated useful lives which range from two to 24 years. For intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the intangible assets is not recoverable and exceeds fair value. The carrying amount of the intangible assets is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from use of the asset. Intangible assets with indefinite lives are not amortized, but are reviewed annually for impairment or more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than its carrying amount. As of October 31, 2014 and April 30, 2014, there were no indicators of impairment with respect to the Company's intangible assets.

Compensation and Benefits Expense

Compensation and benefits expense in the accompanying consolidated statements of income consist of compensation and benefits paid to consultants (employees who originate business), executive officers and administrative and support personnel. The most significant portions of this expense are salaries and the amounts paid under the annual performance related bonus plan to employees. The portion of the expense applicable to salaries is comprised of amounts earned by employees during a reporting period. The portion of the expenses applicable to annual performance related bonuses refers to the Company's annual employee performance related bonus with respect to a fiscal year, the amount of which is communicated and paid to each eligible employee following the completion of the fiscal year.

Each quarter, management makes its best estimate of its annual performance related bonuses, which requires management to, among other things, project annual consultant productivity (as measured by engagement fees billed and collected by executive search consultants and revenue and other performance metrics for LTC and Futurestep consultants), the level of engagements referred by a fee earner in one line of business to a different line of business, Company performance including profitability, competitive forces and future economic conditions and their impact on the Company's results. At the end of each fiscal year, annual performance related bonuses take into account final individual consultant productivity (including referred work), Company results including profitability, the achievement of strategic objectives and the results of individual performance appraisals, and the current economic landscape. Accordingly, each quarter the Company reevaluates the assumptions used to estimate annual performance related bonus liability and adjusts the carrying amount of the liability recorded on the consolidated balance sheet and reports any changes in the estimate in current operations.

Because annual performance-based bonuses are communicated and paid only after the Company reports its full fiscal year results, actual performance-based bonus payments may differ from the prior year's estimate. Such changes in the bonus estimate historically have been immaterial and are recorded in current operations in the period in which they are determined. The performance related bonus expense was $84.3 million and $68.2 million for the six months ended October 31, 2014 and 2013, respectively, which was reduced by a change in the previous years' estimate recorded in the six months ended October 31, 2014 and 2013, of $0.3 million and $0.7 million, respectively. This resulted in net bonus expense of $84.0 million and $67.5 million in the six months ended October 31, 2014 and 2013, respectively, included in compensation and benefits expense in the consolidated statements of income. During the three months ended October 31, 2014 and 2013, the performance related bonus expense was $45.3 million and $37.0 million, respectively, included in compensation and benefits expense. No change in estimate related to previous years' estimates was recorded in the three months ended October 31, 2014 or 2013.

Other expenses included in compensation and benefits expense are due to changes in deferred compensation and pension plan liabilities, changes in cash surrender value ("CSV") of company owned life insurance ("COLI") contracts, amortization of stock compensation awards, payroll taxes and employee insurance benefits.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
October 31, 2014

Restructuring Charges, Net

The Company accounts for its restructuring charges as a liability when the obligations are incurred and records such charges at fair value. Changes in the estimates of the restructuring charges are recorded in the period the change is determined.

Stock-Based Compensation

The Company has employee compensation plans under which various types of stock-based instruments are granted. These instruments principally include restricted stock units, restricted stock and stock options. The Company recognizes compensation expense related to restricted stock units, restricted stock and the estimated fair value of stock options on a straight-line basis over the service period for the entire award.

Recently Adopted Accounting Standards

In March 2013, the FASB issued guidance on releasing cumulative translation adjustments when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, these amendments provide guidance on the release of cumulative translation adjustments in partial sales of equity method investments and in step acquisitions. This new guidance is effective on a prospective basis for fiscal years and interim reporting periods beginning after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. Prior periods should not be adjusted and early adoption is permitted. The Company adopted this guidance during the six months ended October 31, 2014 and the adoption did not have an impact on the financial statements of the Company.

In June 2013, the FASB issued guidance on how a liability for an unrecognized tax benefit should be presented in the financial statements if the ultimate settlement of such liability will not result in a cash payment to the tax authority but will, rather, reduce a deferred tax asset for a net operating loss or tax credit carryforward. The FASB concluded that, when settlement in such manner is available under tax law, the liability for an unrecognized tax benefit should be presented as a reduction of the deferred tax asset associated with the net operating loss or tax credit carryforward. This new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2013. The Company adopted this guidance during the six months ended October 31, 2014 and the adoption did not have an impact on the financial statements of the Company.

Recently Proposed Accounting Standards

In May 2014, the FASB issued guidance that supersedes revenue recognition requirements regarding contracts with customers to transfer goods or services or for the transfer of nonfinancial assets. Under the new guidance, entities are required to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis to be performed on transactions to determine when and how revenue is recognized. This new guidance is effective for fiscal years and interim periods within those annual years beginning after December 15, 2016. The Company will adopt this guidance in its fiscal year beginning May 1, 2017. The Company is currently evaluating the effect the guidance will have on our financial condition and results of operations.

2. Basic and Diluted Earnings Per Share

Basic earnings per common share was computed by dividing net earnings attributable to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per common share was computed by dividing net earnings attributable to common stockholders by the weighted-average number of common shares outstanding plus dilutive common equivalent shares. Dilutive common equivalent shares include all in-the-money outstanding options or other contracts to issue common stock as if they were exercised or converted. During the three and six months ended October 31, 2014, all shares of outstanding options were included in the computation of diluted earnings per share. During both the three and six months ended October 31, 2013, options to purchase 0.1 million shares were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
October 31, 2014

The following table summarizes basic and diluted earnings per share calculations:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Net earnings attributable to common stockholders	$25,403	$18,759	$39,936	$30,176
Weighted-average common shares outstanding:				
Basic weighted-average number of common shares outstanding	49,082	48,118	48,893	47,892
Effect of dilutive securities:				
Restricted stock	554	484	710	643
Stock options	104	214	117	213
Diluted weighted-average number of common shares outstanding	49,740	48,816	49,720	48,748
Net earnings per common share:				
Basic earnings per share	$ 0.52	$ 0.39	$ 0.82	$ 0.63
Diluted earnings per share	$ 0.51	$ 0.38	$ 0.80	$ 0.62

3. Comprehensive Income

Comprehensive income is comprised of net income and all changes to stockholders' equity, except those changes resulting from investments by stockholders (changes in paid in capital) and distributions to stockholders (dividends) and is reported in the accompanying consolidated statements of comprehensive income. Accumulated other comprehensive loss, net of taxes, is recorded as a component of stockholders' equity.

The components of accumulated other comprehensive loss were as follows:

	October 31, 2014	April 30, 2014
	(in thousands)	
Deferred compensation and benefit pension plan adjustments, net of taxes	$ (17,052)	$(18,006)
Foreign currency translation adjustment	(631)	15,604
Unrealized gains on marketable securities, net of taxes	12	14
Accumulated other comprehensive loss, net	$ (17,671)	$ (2,388)

The following table summarizes the changes in each component of accumulated other comprehensive income (loss) for the three months ended October 31, 2014:

	Foreign Currency Translation	Deferred Compensation and Pension Plan (1)	Unrealized Gains (Losses) on Marketable Securities	Accumulated Other Comprehensive Income (Loss)
	(in thousands)			
Balance as of July 31, 2014	$ 11,924	$ (17,519)	$ 8	$ (5,587)
Unrealized gains (losses) arising during the period	(12,555)	—	4	(12,551)
Reclassification of realized net losses to net income	—	467	—	467
Balance as of October 31, 2014	$ (631)	$ (17,052)	$ 12	$ (17,671)

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The following table summarizes the changes in each component of accumulated other comprehensive income (loss) for the six months ended October 31, 2014:

	Foreign Currency Translation	Deferred Compensation and Pension Plan (1)	Unrealized Gains (Losses) on Marketable Securities	Accumulated Other Comprehensive Income (Loss)
	(in thousands)			
Balance as of April 30, 2014	$ 15,604	$ (18,006)	$ 14	$ (2,388)
Unrealized losses arising during the period	(16,235)	—	(2)	(16,237)
Reclassification of realized net losses to net income	—	954	—	954
Balance as of October 31, 2014	$ (631)	$ (17,052)	$ 12	$ (17,671)

(1) The tax effects on the reclassifications of realized net losses was $0.3 million and $0.6 million for the three and six months ended October 31, 2014, respectively.

The following table summarizes the changes in each component of accumulated other comprehensive income (loss) for the three months ended October 31, 2013:

	Foreign Currency Translation	Deferred Compensation and Pension Plan	Unrealized Gains (Losses) on Marketable Securities	Accumulated Other Comprehensive Income (Loss)
	(in thousands)			
Balance as of July 31, 2013	$ 14,533	$ (20,236)	$ (11)	$ (5,714)
Unrealized gains arising during the period	4,368	—	24	4,392
Balance as of October 31, 2013	$ 18,901	$ (20,236)	$ 13	$ (1,322)

The following table summarizes the changes in each component of accumulated other comprehensive income (loss) for the six months ended October 31, 2013:

	Foreign Currency Translation	Deferred Compensation and Pension Plan	Unrealized Gains (Losses) on Marketable Securities	Accumulated Other Comprehensive Income (Loss)
	(in thousands)			
Balance as of April 30, 2013	$ 17,559	$ (20,236)	$ 46	$ (2,631)
Unrealized gains (losses) arising during the period	1,342	—	(65)	1,277
Reclassification of realized net losses to net income	—	—	32	32
Balance as of October 31, 2013	$ 18,901	$ (20,236)	$ 13	$ (1,322)

4. Employee Stock Plans

Stock-Based Compensation

The following table summarizes the components of stock-based compensation expense recognized in the Company's consolidated statements of income for the periods indicated:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2014	2013	2014	2013
	(in thousands)			
Restricted stock	$ 3,617	$ 2,727	$ 6,869	$ 5,547
Stock options	23	105	90	245
Total stock-based compensation expense, pre-tax	3,640	2,832	6,959	5,792
Tax benefit from stock-based compensation expense	(1,114)	(865)	(2,096)	(2,057)
Total stock-based compensation expense, net of tax	$ 2,526	$ 1,967	$ 4,863	$ 3,735

The Company uses the Black-Scholes option valuation model to estimate the grant date fair value of employee stock options. The expected volatility reflects consideration of the historical volatility in the Company's publicly traded stock during the period the option is granted. The Company believes historical volatility in these instruments is more indicative of expected future volatility than the implied volatility in the price of the Company's common stock. The expected life of each option is estimated using historical data. The risk-free interest rate is based on the U.S. Treasury zero-coupon issue with a remaining term approximating the expected term of the option. The Company uses historical data to estimate forfeiture rates applied to the gross amount of expense determined using the option valuation model. The Company did not grant stock options in the three or six months ended October 31, 2014 and 2013.

Stock Incentive Plans

At the Company's 2012 Annual Meeting of Stockholders, held on September 27, 2012, the Company's stockholders approved an amendment and restatement to the Korn/Ferry International Amended and Restated 2008 Stock Incentive Plan (the 2012 amendment and restatement being the "Second A&R 2008 Plan"), which among other things, increased the current maximum number of shares that may be issued under the plan to 5,700,000 shares, subject to certain changes in the Company's capital structure and other extraordinary events. The Second A&R 2008 Plan provides for the grant of awards to eligible participants, designated as either nonqualified or incentive stock options, restricted stock and restricted stock units, any of which may be performance-based or market-based, and incentive bonuses, which may be paid in cash or a combination thereof. Under the Second A&R 2008 Plan, the ability to issue full-value awards is limited by requiring full-value stock awards to count 1.91 times as much as stock options.

Stock Options

Stock option transactions under the Company's Second A&R 2008 Plan, as amended to date, were as follows:

	Six Months Ended October 31, 2014			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
	(in thousands, except per share data)			
Outstanding, April 30, 2014	396	$ 16.23		
Exercised	(110)	$ 17.47		
Forfeited/expired	(6)	$ 19.37		
Outstanding, October 31, 2014	280	$ 15.69	2.02	$ 3,429
Exercisable, October 31, 2014	270	$ 15.44	1.96	$ 3,377

As of October 31, 2014, there was $0.1 million of total unrecognized compensation cost related to non-vested awards of stock options that will be recognized in fiscal 2015.

Additional information pertaining to stock options:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2014	2013	2014	2013
	(in thousands)			
Total fair value of stock options vested	$ 10	$ 75	$ 334	$ 877
Total intrinsic value of stock options exercised	$ 332	$ 705	$1,371	$2,369

Restricted Stock

The Company grants time-based restricted stock awards to executive officers and other senior employees generally vesting over a three to four year period. In addition, certain key management members typically receive time-based restricted stock awards grants upon commencement of employment and may receive them annually in conjunction with the Company's performance review. Time-based restricted stock awards are granted at a price equal to fair value, which is determined based on the closing price of the Company's common stock on the grant date. The Company recognizes compensation expense for time-based restricted stock awards on a straight-line basis over the vesting period.

The Company also grants market-based and performance-based restricted stock units to executive officers and other senior employees. The market-based units vest after three years depending upon the Company's total stockholder return over the

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three-year performance period relative to other companies in its selected peer group. The fair value of these market-based restricted stock units are determined by a third-party valuation using extensive market data that are based on historical Company and peer group information. The Company recognizes compensation expense for market-based restricted stock units on a straight-line basis over the vesting period.

Performance-based restricted stock units vest after three years depending upon the Company meeting certain objectives that are set at the time the restricted stock unit is issued. Performance-based restricted stock units are granted at a price equal to the fair value, which is determined based on the closing price of the Company's common stock on the grant date. The Company recognizes compensation expense for performance-based restricted stock units on a straight-line basis over the vesting period. At the end of each reporting period, the Company estimates the number of restricted stock units expected to vest, based on the probability that certain performance objectives will be met, exceeded, or fall below target levels, and takes into account these estimates when calculating the expense for the period.

Restricted stock activity during the six months ended October 31, 2014 is summarized below:

	Shares	Weighted-Average Grant Date Fair Value
	(in thousands, except per share data)	
Non-vested, April 30, 2014	1,880	$ 18.95
Granted	439	$ 29.86
Vested	(569)	$ 19.02
Forfeited/expired	(5)	$ 17.02
Non-vested, October 31, 2014	1,745	$ 21.68

As of October 31, 2014, there were 0.3 million shares and 0.2 million shares outstanding relating to market-based and performance-based restricted stock units, respectively, with total unrecognized compensation totaling $5.0 million and $3.6 million, respectively.

As of October 31, 2014, there was $28.4 million of total unrecognized compensation cost related to all non-vested awards of restricted stock, which is expected to be recognized over a weighted-average period of 2.5 years. During the three and six months ended October 31, 2014, 662 shares and 126,083 shares of restricted stock totaling $0.1 million and $3.8 million, respectively, were repurchased by the Company, at the option of the employee, to pay for taxes related to vesting of restricted stock. During the three and six months ended October 31, 2013, 1,025 shares and 101,399 shares of restricted stock totaling $0.1 million and $2.0 million, respectively, were repurchased by the Company, at the option of the employee, to pay for taxes related to vesting of restricted stock.

Common Stock

During the three and six months ended October 31, 2014, the Company issued 24,308 shares and 109,629 shares of common stock, respectively, as a result of the exercise of stock options, with cash proceeds from the exercise of $0.4 million and $1.9 million, respectively. During the three and six months ended October 31, 2013, the Company issued 126,244 shares and 315,123 shares of common stock, respectively, as a result of the exercise of stock options, with cash proceeds from the exercise of $2.0 million and $3.8 million, respectively.

No shares were repurchased during the three and six months ended October 31, 2014 and 2013, other than to satisfy minimum tax withholding requirements upon the vesting of restricted stock as described above.

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5. Marketable Securities

As of October 31, 2014, marketable securities consisted of the following:

	Trading (1)(2)	Available-for-Sale (2)	Total
		(in thousands)	
Mutual funds	$135,603	$ —	$135,603
Corporate bonds	—	16,262	16,262
Total	135,603	16,262	151,865
Less: current portion of marketable securities	(11,747)	(14,226)	(25,973)
Non-current marketable securities	$123,856	$ 2,036	$125,892

As of April 30, 2014, marketable securities consisted of the following:

	Trading (1)(2)	Available-for-Sale (2)	Total
		(in thousands)	
Mutual funds	$116,207	$ —	$116,207
Corporate bonds	—	18,352	18,352
Total	116,207	18,352	134,559
Less: current portion of marketable securities	(4,510)	(5,056)	(9,566)
Non-current marketable securities	$111,697	$ 13,296	$124,993

(1) These investments are held in trust for settlement of the Company's vested and unvested obligations of $135.9 million and $117.6 million as of October 31, 2014 and April 30, 2014, respectively, under the ECAP (see Note 6 — *Deferred Compensation and Retirement Plans*). During the three and six months ended October 31, 2014, the fair value of the investments increased; therefore, the Company recognized income of $2.5 million and $4.5 million, respectively, which was recorded in other income, net. During the three and six months ended October 31, 2013, the fair value of the investments increased; therefore, the Company recognized income of $4.4 million and $6.4 million, respectively, which was recorded in other income, net.

(2) The Company's financial assets measured at fair value on a recurring basis include trading securities classified as Level 1 and available-for-sale securities classified as Level 2. As of October 31, 2014 and April 30, 2014, the Company had no investments classified as Level 3.

The amortized cost and fair values of marketable securities classified as available-for-sale investments were as follows:

	October 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Estimated Fair Value
		(in thousands)		
Corporate bonds	$ 16,237	$ 27	$ (2)	$ 16,262

	April 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Estimated Fair Value
		(in thousands)		
Corporate bonds	$ 18,325	$ 31	$ (4)	$ 18,352

(1) There are no marketable securities that have been in a continuous unrealized loss position for 12 months or more.

Investments in marketable securities classified as available-for-sale securities are made based on the Company's investment policy, which restricts the types of investments that can be made. As of October 31, 2014 and April 30, 2014, marketable securities classified as available-for-sale consist of corporate bonds for which market prices for similar assets are readily available. As of October 31, 2014, available-for-sale marketable securities have remaining maturities ranging from two months to 1.2 years. During the six months ended October 31, 2014, the Company received $2.0 million in proceeds from sales/maturities of available-for-sale marketable securities. During the three months ended October 31, 2014, there were no sales/maturities of available-for-sale marketable securities. During the three and six months ended October 31, 2013, the Company received $4.0 million and $33.3 million, respectively, in proceeds from sales/maturities of available-for-sale marketable securities. Investments in marketable securities classified as trading are based upon investment selections the employee elects from a pre-determined set of securities in the ECAP and the Company invests in marketable securities to mirror these elections. As of October 31, 2014 and April 30, 2014, the Company's investments in marketable securities classified as trading consist of mutual funds for which market prices are readily available.

As of October 31, 2014 and April 30, 2014, the Company's marketable securities classified as trading were $135.6 million (gross unrealized gains of $8.8 million and gross unrealized losses of $0.5 million) and $116.2 million (gross unrealized gains of $9.2 million and $0.7 million of gross unrealized losses), respectively.

6. Deferred Compensation and Retirement Plans

The Company has several deferred compensation and retirement plans for eligible consultants and vice-presidents that provide defined benefits to participants based on the deferral of current compensation or contributions made by the Company subject to vesting and retirement or termination provisions. In June 2003, the Company amended the deferred compensation plans, with the exception of the ECAP and international retirement plans, so as not to allow new participants or the purchase of additional deferral units by existing participants.

The components of net periodic benefit costs are as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2014	2013	2014	2013
	(in thousands)			
Amortization of actuarial loss	$ 762	$ 779	$1,525	$1,559
Interest cost	748	676	1,495	1,352
Net periodic benefit costs	$ 1,510	$ 1,455	$3,020	$2,911

The Company purchased COLI contracts insuring employees eligible to participate in the deferred compensation and pension plans as a means of funding benefits under such plans. The gross CSV of these contracts of $171.2 million and $167.2 million is offset by outstanding policy loans of $72.2 million and $72.9 million in the accompanying consolidated balance sheets as of October 31, 2014 and April 30, 2014, respectively. The CSV value of the underlying COLI investments increased by $2.2 million and $5.5 million during the three and six months ended October 31, 2014, respectively, and is recorded as a decrease in compensation and benefits expense in the accompanying consolidated statement of income. The CSV value of the underlying COLI investments increased by $3.3 million and $4.6 million during the three and six months ended October 31, 2013, respectively, and is recorded as a decrease in compensation and benefits expense in the accompanying consolidated statement of income.

The Company has an ECAP, which is intended to provide certain employees an opportunity to defer salary and/or bonus on a pre-tax basis or make an after-tax contribution. In addition, the Company, as part of its compensation philosophy, makes discretionary contributions into the ECAP and such contributions may be granted to key employees annually based upon employee performance. Certain key management may also receive Company ECAP contributions upon commencement of employment. The Company made contributions to the ECAP during the three and six months ended October 31, 2014 of $17.4 million and $18.6 million, respectively. The Company made contributions to the ECAP during the three and six months ended October 31, 2013 of $2.5 million and $16.7 million, respectively. As these contributions vest, the amounts are recorded as a liability in deferred compensation and other retirement plans on the accompanying balance sheet and compensation and benefits on the accompanying consolidated statement of income. Participants generally vest in Company contributions over a four year period.

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The ECAP is accounted for whereby the changes in the fair value of the vested amounts owed to the participants are adjusted with a corresponding charge (or credit) to compensation and benefits costs. During the three and six months ended October 31, 2014, deferred compensation liability increased; therefore, the Company recognized an increase in compensation expense of $1.0 million and $2.7 million, respectively. During the three and six months ended October 31, 2013, deferred compensation liability increased; therefore, the Company recognized an increase in compensation expense of $3.4 million and $5.0 million, respectively. Offsetting these increases in compensation and benefits expense was an increase in the fair value of marketable securities classified as trading (held in trust to satisfy obligations under certain deferred compensation liabilities) of $2.5 million and $4.5 million during the three and six months ended October 31, 2014, respectively, and $4.4 million and $6.4 million during the three and six months ended October 31, 2013, respectively, recorded in other income, net on the consolidated statement of income (see Note 5 — *Marketable Securities*).

7. Restructuring Charges, Net

The Company took actions to rationalize its cost structure as a result of efficiencies obtained from prior year technology investments that enabled further integration of the legacy business and the recent acquisitions, as well as other cost saving initiatives. This resulted in restructuring charges of $9.9 million against operations in the six months ended October 31, 2014, of which $9.6 million relates to severance and $0.3 million relates to consolidation/abandonment of premises.

Changes in the restructuring liability during the three months ended October 31, 2014 are as follows:

	Severance	Facilities	Total
		(in thousands)	
Liability as of July 31, 2014	$ 6,182	$ 2,462	$ 8,644
Reductions for cash payments	(3,503)	(672)	(4,175)
Exchange rate fluctuations	(234)	(50)	(284)
Liability as of October 31, 2014	$ 2,445	$ 1,740	$ 4,185

Changes in the restructuring liability during the six months ended October 31, 2014 are as follows:

	Severance	Facilities	Total
		(in thousands)	
Liability as of April 30, 2014	$ —	$ 2,813	$ 2,813
Restructuring charges, net	9,571	315	9,886
Reductions for cash payments	(6,835)	(1,344)	(8,179)
Exchange rate fluctuations	(291)	(44)	(335)
Liability as of October 31, 2014	$ 2,445	$ 1,740	$ 4,185

As of October 31, 2014 and April 30, 2014, the restructuring liability is included in the current portion of other accrued liabilities on the consolidated balance sheets, except for $0.5 million and $0.7 million, respectively, of facilities costs which primarily relate to commitments under operating leases, net of sublease income, which are included in other long-term liabilities and will be paid over the next four years.

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The restructuring liability by segment is summarized below:

	October 31, 2014		
	Severance	Facilities	Total
		(in thousands)	
Executive Recruitment			
North America	$ 344	$ —	$ 344
Europe, Middle East and Africa ("EMEA")	1,407	427	1,834
South America	143	—	143
Total Executive Recruitment	1,894	427	2,321
LTC	109	900	1,009
Futurestep	433	413	846
Corporate	9	—	9
Liability as of October 31, 2014	$ 2,445	$ 1,740	$4,185

	April 30, 2014		
	Severance	Facilities	Total
		(in thousands)	
Executive Recruitment			
North America	$ —	$ 193	$ 193
EMEA	—	379	379
Total Executive Recruitment	—	572	572
LTC	—	1,587	1,587
Futurestep	—	654	654
Liability as of April 30, 2014	$ —	$ 2,813	$2,813

8. Business Segments

The Company currently operates in three global businesses: Executive Recruitment, LTC and Futurestep. The Executive Recruitment segment focuses on recruiting Board of Director and C-level positions, in addition to research-based interviewing and onboarding solutions, for clients predominantly in the consumer, financial services, industrial, life sciences/healthcare and technology industries. LTC provides a comprehensive blend of leadership and talent management solutions including both consulting services and product offerings. Service and product offerings in this segment include: Talent Strategy and Organizational Alignment, Succession Management, Board and CEO Services, Leadership Development and Workforce Performance, Inclusion and Diversity, all underpinned by a comprehensive array of world-leading IP, products and tools. Futurestep is a global industry leader in enterprise-wide consulting and recruitment solutions. Its portfolio of services includes RPO, talent acquisition and management consulting services, project-based recruitment, non-executive and other professional recruitment. The Executive Recruitment business segment is managed by geographic regional leaders and LTC and Futurestep worldwide operations are managed by its President and Chief Executive Officer, respectively. The Executive Recruitment geographic regional leaders, the president of LTC and Chief Executive Officer of Futurestep report directly to the Chief Executive Officer of the Company. The Company also operates a Corporate segment to record global expenses of the Company.

The Company evaluates performance and allocates resources based on the Company's chief operating decision maker's ("CODM") review of (1) fee revenue and (2) earnings before interest, taxes, depreciation and amortization ("EBITDA"), which is further adjusted to exclude restructuring charges (net of recoveries) and/or integration/acquisition and certain separation costs ("Adjusted EBITDA"). The accounting policies for the reportable segments are the same as those described in the summary of significant accounting policies, except that unusual or infrequent items that do not recur on a regular basis are excluded from Adjusted EBITDA.

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Financial highlights by business segment are as follows:

	Three Months Ended October 31, 2014								
	Executive Recruitment								
	North America	EMEA	Asia Pacific	South America	Subtotal	LTC	Futurestep	Corporate	Consolidated
	(in thousands)								
Fee revenue	$82,729	$36,675	$21,157	$ 8,369	$148,930	$66,408	$ 40,364	$ —	$ 255,702
Total revenue	$86,252	$38,054	$21,716	$ 8,383	$154,405	$68,477	$ 41,835	$ —	$ 264,717
Net income									$ 25,403
Other income, net									(2,362)
Interest expense, net									920
Equity in earnings of unconsolidated subsidiaries, net									(452)
Income tax provision									10,907
Operating income (loss)	$19,117	$ 5,621	$ 3,424	$ 1,699	$ 29,861	$ 7,762	$ 5,150	$ (8,357)	34,416
Depreciation and amortization	891	446	261	85	1,683	3,279	459	1,358	6,779
Other income (loss), net	194	(1)	149	13	355	(172)	25	2,154	2,362
Equity in earnings of unconsolidated subsidiaries, net	110	—	—	—	110	—	—	342	452
EBITDA	20,312	6,066	3,834	1,797	32,009	10,869	5,634	(4,503)	44,009
Adjusted EBITDA	$20,312	$ 6,066	$ 3,834	$ 1,797	$ 32,009	$10,869	$ 5,634	$ (4,503)	$ 44,009

	Three Months Ended October 31, 2013								
	Executive Recruitment								
	North America	EMEA	Asia Pacific	South America	Subtotal	LTC	Futurestep	Corporate	Consolidated
	(in thousands)								
Fee revenue	$75,183	$34,221	$21,722	$ 8,866	$139,992	$66,078	$ 31,898	$ —	$ 237,968
Total revenue	$78,734	$35,240	$22,340	$ 8,926	$145,240	$68,202	$ 32,795	$ —	$ 246,237
Net income									$ 18,759
Other income, net									(4,352)
Interest expense, net									638
Equity in earnings of unconsolidated subsidiaries, net									(557)
Income tax provision									8,677
Operating income (loss)	$15,530	$ 5,860	$ 4,472	$ 2,265	$ 28,127	$ 7,006	$ 2,539	$ (14,507)	$ 23,165
Depreciation and amortization	920	452	529	99	2,000	3,161	440	979	6,580
Other income (loss), net	321	48	75	7	451	45	(17)	3,873	4,352
Equity in earnings of unconsolidated subsidiaries, net	120	—	—	—	120	—	—	437	557
EBITDA	16,891	6,360	5,076	2,371	30,698	10,212	2,962	(9,218)	34,654
Separation costs	—	—	—	—	—	—	—	2,000	2,000
Adjusted EBITDA	$16,891	$ 6,360	$ 5,076	$ 2,371	$ 30,698	$10,212	$ 2,962	$ (7,218)	$ 36,654

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	Six Months Ended October 31, 2014								
	Executive Recruitment								
	North America	EMEA	Asia Pacific	South America	Subtotal	LTC	Futurestep	Corporate	Consolidated
	(in thousands)								
Fee revenue	$165,029	$76,972	$40,691	$14,653	$297,345	$129,956	$ 79,589	$ —	$ 506,890
Total revenue	$172,334	$79,483	$42,085	$14,692	$308,594	$133,897	$ 82,551	$ —	$ 525,042
Net income									$ 39,936
Other income, net									(4,539)
Interest expense, net									1,714
Equity in earnings of unconsolidated subsidiaries, net									(918)
Income tax provision									16,816
Operating income (loss)	$ 38,115	$ 8,264	$ 5,946	$ 1,772	$ 54,097	$ 11,222	$ 8,607	$ (20,917)	53,009
Depreciation and amortization	1,795	935	555	170	3,455	6,531	905	2,658	13,549
Other income, net	323	45	258	46	672	45	23	3,799	4,539
Equity in earnings of unconsolidated subsidiaries, net	178	—	—	—	178	—	—	740	918
EBITDA	40,411	9,244	6,759	1,988	58,402	17,798	9,535	(13,720)	72,015
Restructuring charges, net	1,151	3,987	17	377	5,532	2,758	1,424	172	9,886
Adjusted EBITDA	$ 41,562	$13,231	$ 6,776	$ 2,365	$ 63,934	$ 20,556	$ 10,959	$ (13,548)	$ 81,901

	Six Months Ended October 31, 2013								
	Executive Recruitment								
	North America	EMEA	Asia Pacific	South America	Subtotal	LTC	Futurestep	Corporate	Consolidated
	(in thousands)								
Fee revenue	$149,330	$68,598	$42,850	$15,869	$276,647	$126,140	$ 63,618	$ —	$ 466,405
Total revenue	$156,845	$70,697	$44,267	$15,962	$287,771	$130,284	$ 65,769	$ —	$ 483,824
Net income									$ 30,176
Other income, net									(6,619)
Interest expense, net									1,229
Equity in earnings of unconsolidated subsidiaries, net									(1,022)
Income tax provision									16,062
Operating income (loss)	$ 31,854	$11,820	$ 8,972	$ 3,761	$ 56,407	$ 11,341	$ 5,084	$ (33,006)	$ 39,826
Depreciation and amortization	1,883	887	835	173	3,778	6,058	848	1,840	12,524
Other income, net	448	282	92	10	832	53	548	5,186	6,619
Equity in earnings of unconsolidated subsidiaries, net	222	—	—	—	222	—	—	800	1,022
EBITDA	34,407	12,989	9,899	3,944	61,239	17,452	6,480	(25,180)	59,991
Restructuring charges, net	816	460	60	—	1,336	1,149	1,134	63	3,682
Separation costs	—	—	—	—	—	—	—	4,500	4,500
Integration costs	—	—	—	—	—	—	—	394	394
Adjusted EBITDA	$ 35,223	$13,449	$ 9,959	$ 3,944	$ 62,575	$ 18,601	$ 7,614	$ (20,223)	$ 68,567

9. Long-Term Debt

As of October 31, 2014 and April 30, 2014, the Company had no borrowings under its long-term debt arrangements. At October 31, 2014 and April 30, 2014, there was $2.8 million of standby letters of credit issued under its long-term debt arrangements. The Company had a total of $1.5 million of standby letters of credits with other financial institutions as of October 31, 2014 and April 30, 2014.

10. Subsequent Events

On December 8, 2014, the Board of Directors adopted a dividend policy, reflecting an intention to distribute to our stockholders a regular quarterly cash dividend of $0.10 per share, commencing at the conclusion of the third quarter of fiscal 2015. The declaration and payment of dividends under the quarterly dividend program will be at the discretion of the Board of Directors and will depend upon many factors, including our earnings, capital requirements, financial conditions, the terms of our indebtedness and other factors our Board of Directors may deem to be relevant. Our Board of Directors may, however, amend, revoke or suspend our dividend policy at any time and for any reason.

In addition, on December 8, 2014, the Board of Directors also approved an increase in the Company's stock repurchase program by $125,641,342.53 to an aggregate of $150,000,000. Common stock may be repurchased from time to time in open market or privately negotiated transactions at the Company's discretion subject to market conditions and other factors

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

Forward-looking Statements

This Quarterly Report on Form 10-Q may contain certain statements that we believe are, or may be considered to be, "forward-looking" statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "may," "will," "likely," "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, maintaining our brand name and professional reputation, potential legal liability and regulatory developments, portability of client relationships, global and local political or economic developments in or affecting countries where we have operations, currency fluctuations in our international operations, risks related to growth, restrictions imposed by off-limits agreements, competition, reliance on information processing systems, cyber security vulnerabilities, limited protection of our intellectual property, our ability to enhance and develop new technology, our ability to successfully recover from a disaster or business continuity problems, employment liability risk, an impairment in the carrying value of goodwill and other intangible assets, deferred tax assets that we may not be able to use, our ability to develop new products and services, changes in our accounting estimates and assumptions, alignment of our cost structure, risks related to the integration of recently acquired businesses, seasonality and the matters disclosed under the heading "Risk Factors" in the Company's Exchange Act reports, including Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2014 ("Form 10-K"). Readers are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q 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 and related notes included in this Quarterly Report on Form 10-Q. We also make available on the Investor Relations portion of our website at www.kornferry.com earnings slides and other important information, which we encourage you to review.

Executive Summary

Korn/Ferry International (referred to herein as the "Company," "Korn Ferry," or in the first person notations "we," "our," and "us") is a premier global provider of talent management solutions that helps clients design strategies to assist in building and attracting their talent. We are a premier provider of executive recruitment, leadership and talent consulting and talent acquisition solutions with the broadest global presence in the recruitment industry. Our services include Executive Recruitment, consulting and solutions services through Leadership & Talent Consulting ("LTC") and recruitment for non-executive professionals and recruitment process outsourcing ("RPO") through Futurestep. Approximately 74% of the executive recruitment searches we performed in fiscal 2014 were for board level, chief executive and other senior executive and general management positions. Our 5,175 clients in fiscal 2014 included many of the world's largest and most prestigious public and private companies, including approximately 59% of the FORTUNE 500, middle market and emerging growth companies, as well as government and nonprofit organizations. We have built strong client loyalty, with 80% of assignments performed during fiscal 2014 having been on behalf of clients for whom we had conducted assignments in the previous three fiscal years. During fiscal 2014, 88% of our top 50 clients utilized at least two of our service lines.

In an effort to maintain our long-term strategy of being the leading provider of talent management solutions, our strategic focus for fiscal 2015 centers upon enhancing the integration of our multi-service strategy. We plan to continue to address areas of increasing client demand including LTC and RPO. We further plan to explore new products and services, continue to pursue a disciplined acquisition strategy, enhance our technology and processes and aggressively leverage our brand through thought leadership and intellectual capital projects as a means of delivering world-class service to our clients.

The Company took actions to rationalize its cost structure as a result of efficiencies obtained from prior year technology investments that enabled further integration of the legacy business and the recent acquisitions as well as other cost saving initiatives. As a result, we recorded $9.9 million in restructuring charges, net in the six months ended October 31, 2014, of which $9.6 million relates to severance and $0.3 million related to consolidation/abandonment of premises. During the six months ended October 31, 2013, we recorded $3.7 million of restructuring charges, net, of which $2.9 million related to consolidation of premises and $0.8 million related to severance.

The Company currently operates in three global business segments: Executive Recruitment, LTC and Futurestep. See Note 8 –*Business Segments,* in the Notes to our Consolidated Financial Statements for discussion of the Company's global business segments. The Company evaluates performance and allocates resources based on the chief operating decision maker's review of (1) fee revenue and (2) earnings before interest, taxes, depreciation and amortization ("EBITDA"), which is further adjusted to exclude restructuring charges (net of recoveries), and/or integration/acquisition and certain separation costs ("Adjusted EBITDA"). EBITDA and Adjusted EBITDA are non-GAAP financial measures. They have limitations as analytical tools, should not be viewed as substitutes for financial information determined in accordance with U.S. generally accepted accounting principles ("GAAP"), and should not be considered in isolation or as substitutes for analysis of the Company's results as reported under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Management believes the presentation of these non-GAAP financial measures provides meaningful supplemental information regarding Korn Ferry's performance by excluding certain charges and other items that may not be indicative of Korn Ferry's ongoing operating results. The use of these non-GAAP financial measures facilitates comparisons to Korn Ferry's historical performance. Korn Ferry includes these non-GAAP financial measures because management believes they are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its evaluation of Korn Ferry's ongoing operations and financial and operational decision-making. The accounting policies for the reportable segments are the same as those described in the summary of significant accounting policies in the accompanying consolidated financial statements, except that the above noted items are excluded from Adjusted EBITDA.

Fee revenue increased $17.7 million, or 7%, in the three months ended October 31, 2014 to $255.7 million compared to $238.0 million in the three months ended October 31, 2013, with increases in fee revenue in Executive Recruitment, Futurestep, and LTC. During the three months ended October 31, 2014, we recorded operating income of $34.4 million with Executive Recruitment, Futurestep, and LTC segments contributing $29.9 million, $7.8 million, and $5.1 million, respectively, offset by corporate expenses of $8.4 million. Net income during the three months ended October 31, 2014 and 2013 was $25.4 million and $18.8 million, respectively. Adjusted EBITDA was $44.0 million with Executive Recruitment, LTC, and Futurestep segments contributing $32.0 million, $10.9 million, and $5.6 million, respectively, offset by corporate expenses of $4.5 million during the three months ended October 31, 2014. Adjusted EBITDA increased $7.3 million during the three months ended October 31, 2014, from Adjusted EBITDA of $36.7 million during the three months ended October 31, 2013.

Our cash, cash equivalents and marketable securities decreased $68.2 million, or 15%, to $400.1 million at October 31, 2014 compared to $468.3 million at April 30, 2014, mainly due to bonuses earned in fiscal 2014 and paid during the first quarter of fiscal 2015, partially offset by cash provided by operating activities. As of October 31, 2014, we held marketable securities to settle obligations under the ECAP with a cost value of $127.3 million and a fair value of $135.6 million. Our vested and unvested obligations for which these assets were held in trust totaled $135.9 million as of October 31, 2014. Our working capital increased by $29.8 million to $304.8 million in the three months ended October 31, 2014. We believe that cash on hand and funds from operations will be sufficient to meet our anticipated working capital, capital expenditures and general corporate requirements in the next twelve months. We had no long-term debt or any outstanding borrowings under our credit facility at October 31, 2014 or April 30, 2014. As of October 31, 2014 and April 30, 2014, there was $2.8 million of standby letters of credit issued under our long-term debt arrangements. We had a total of $1.5 million of standby letters of credits with other financial institutions as of October 31, 2014 and April 30, 2014.

Results of Operations

The following table summarizes the results of our operations as a percentage of fee revenue:

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Six Months Ended October 31, 2014	Six Months Ended October 31, 2013
Fee revenue	100.0%	100.0%	100.0%	100.0%
Reimbursed out-of-pocket engagement expenses	3.5	3.5	3.6	3.7
Total revenue	103.5	103.5	103.6	103.7
Compensation and benefits	68.3	67.8	67.8	67.4
General and administrative expenses	11.8	15.0	13.3	16.2
Reimbursed expenses	3.5	3.5	3.6	3.7
Cost of services	3.8	4.7	3.8	4.4
Depreciation and amortization	2.6	2.8	2.7	2.7
Restructuring charges, net	—	—	1.9	0.8
Operating income	13.5	9.7	10.5	8.5
Net income	9.9%	7.9%	7.9%	6.5%

The following tables summarize the results of our operations by business segment:

	Three Months Ended October 31,				Six Months Ended October 31,			
	2014		2013		2014		2013	
	Dollars	%	Dollars	%	Dollars	%	Dollars	%
	(dollars in thousands)							
Fee revenue								
Executive recruitment:								
North America	$ 82,729	32.3%	$ 75,183	31.6%	$165,029	32.6%	$149,330	32.0%
EMEA	36,675	14.3	34,221	14.4	76,972	15.2	68,598	14.7
Asia Pacific	21,157	8.3	21,722	9.1	40,691	8.0	42,850	9.2
South America	8,369	3.3	8,866	3.7	14,653	2.9	15,869	3.4
Total executive recruitment	148,930	58.2	139,992	58.8	297,345	58.7	276,647	59.3
LTC	66,408	26.0	66,078	27.8	129,956	25.6	126,140	27.1
Futurestep	40,364	15.8	31,898	13.4	79,589	15.7	63,618	13.6
Total fee revenue	255,702	100.0%	237,968	100.0%	506,890	100.0%	466,405	100.0%
Reimbursed out-of-pocket engagement expenses	9,015		8,269		18,152		17,419	
Total revenue	$264,717		$246,237		$525,042		$483,824	

	Three Months Ended October 31,				Six Months Ended October 31,			
	2014		2013		2014		2013	
	Dollars	Margin (1)	Dollars	Margin (1)	Dollars	Margin (1)	Dollars	Margin (1)
	(dollars in thousands)							
Operating Income								
Executive recruitment:								
North America	$19,117	23.1%	$ 15,530	20.7%	$ 38,115	23.1%	$ 31,854	21.3%
EMEA	5,621	15.3	5,860	17.1	8,264	10.7	11,820	17.2
Asia Pacific	3,424	16.2	4,472	20.6	5,946	14.6	8,972	20.9
South America	1,699	20.3	2,265	25.5	1,772	12.1	3,761	23.7
Total executive recruitment	29,861	20.1	28,127	20.1	54,097	18.2	56,407	20.4
LTC	7,762	11.7	7,006	10.6	11,222	8.6	11,341	9.0
Futurestep	5,150	12.8	2,539	8.0	8,607	10.8	5,084	8.0
Corporate	(8,357)	—	(14,507)	—	(20,917)	—	(33,006)	—
Total operating income	$34,416	13.5%	$ 23,165	9.7%	$ 53,009	10.5%	$ 39,826	8.5%

(1) Margin calculated as a percentage of fee revenue by business segment.

	Three Months Ended October 31, 2014								
	Executive Recruitment								
	North America	EMEA	Asia Pacific	South America	Subtotal	LTC	Futurestep	Corporate	Consolidated
	(in thousands)								
Fee revenue	$82,729	$36,675	$21,157	$ 8,369	$148,930	$66,408	$ 40,364	$ —	$ 255,702
Total revenue	$86,252	$38,054	$21,716	$ 8,383	$154,405	$68,477	$ 41,835	$ —	$ 264,717
Net income									$ 25,403
Other income, net									(2,362)
Interest expense, net									920
Equity in earnings of unconsolidated subsidiaries, net									(452)
Income tax provision									10,907
Operating income (loss)	$19,117	$ 5,621	$ 3,424	$ 1,699	$ 29,861	$ 7,762	$ 5,150	$ (8,357)	34,416
Depreciation and amortization	891	446	261	85	1,683	3,279	459	1,358	6,779
Other income (loss), net	194	(1)	149	13	355	(172)	25	2,154	2,362
Equity in earnings of unconsolidated subsidiaries, net	110	—	—	—	110	—	—	342	452
EBITDA	20,312	6,066	3,834	1,797	32,009	10,869	5,634	(4,503)	44,009
Adjusted EBITDA	$20,312	$ 6,066	$ 3,834	$ 1,797	$ 32,009	$10,869	$ 5,634	$ (4,503)	$ 44,009
Adjusted EBITDA margin	24.6%	16.5%	18.1%	21.5%	21.5%	16.4%	14.0%		17.2%

	Three Months Ended October 31, 2013								
	Executive Recruitment								
	North America	EMEA	Asia Pacific	South America	Subtotal	LTC	Futurestep	Corporate	Consolidated
	(in thousands)								
Fee revenue	$75,183	$34,221	$21,722	$ 8,866	$139,992	$66,078	$ 31,898	$ —	$ 237,968
Total revenue	$78,734	$35,240	$22,340	$ 8,926	$145,240	$68,202	$ 32,795	$ —	$ 246,237
Net income									$ 18,759
Other income, net									(4,352)
Interest expense, net									638
Equity in earnings of unconsolidated subsidiaries, net									(557)
Income tax provision									8,677
Operating income (loss)	$15,530	$ 5,860	$ 4,472	$ 2,265	$ 28,127	$ 7,006	$ 2,539	$ (14,507)	23,165
Depreciation and amortization	920	452	529	99	2,000	3,161	440	979	6,580
Other income (loss), net	321	48	75	7	451	45	(17)	3,873	4,352
Equity in earnings of unconsolidated subsidiaries, net	120	—	—	—	120	—	—	437	557
EBITDA	16,891	6,360	5,076	2,371	30,698	10,212	2,962	(9,218)	34,654
Separation costs	—	—	—	—	—	—	—	2,000	2,000
Adjusted EBITDA	$16,891	$ 6,360	$ 5,076	$ 2,371	$ 30,698	$10,212	$ 2,962	$ (7,218)	$ 36,654
Adjusted EBITDA margin	22.5%	18.6%	23.4%	26.7%	21.9%	15.5%	9.3%		15.4%

	Six Months Ended October 31, 2014								
	Executive Recruitment								
	North America	EMEA	Asia Pacific	South America	Subtotal	LTC	Futurestep	Corporate	Consolidated
					(in thousands)				
Fee revenue	$165,029	$76,972	$40,691	$14,653	$297,345	$129,956	$ 79,589	$ —	$ 506,890
Total revenue	$172,334	$79,483	$42,085	$14,692	$308,594	$133,897	$ 82,551	$ —	$ 525,042
Net income									$ 39,936
Other income, net									(4,539)
Interest expense, net									1,714
Equity in earnings of unconsolidated subsidiaries, net									(918)
Income tax provision									16,816
Operating income (loss)	$ 38,115	$ 8,264	$ 5,946	$ 1,772	$ 54,097	$ 11,222	$ 8,607	$ (20,917)	53,009
Depreciation and amortization	1,795	935	555	170	3,455	6,531	905	2,658	13,549
Other income, net	323	45	258	46	672	45	23	3,799	4,539
Equity in earnings of unconsolidated subsidiaries, net	178	—	—	—	178	—	—	740	918
EBITDA	40,411	9,244	6,759	1,988	58,402	17,798	9,535	(13,720)	72,015
Restructuring charges, net	1,151	3,987	17	377	5,532	2,758	1,424	172	9,886
Adjusted EBITDA	$ 41,562	$13,231	$ 6,776	$ 2,365	$ 63,934	$ 20,556	$ 10,959	$ (13,548)	$ 81,901
Adjusted EBITDA margin	25.2%	17.2%	16.7%	16.1%	21.5%	15.8%	13.8%		16.2%

	Six Months Ended October 31, 2013								
	Executive Recruitment								
	North America	EMEA	Asia Pacific	South America	Subtotal	LTC	Futurestep	Corporate	Consolidated
					(in thousands)				
Fee revenue	$149,330	$68,598	$42,850	$15,869	$276,647	$126,140	$ 63,618	$ —	$ 466,405
Total revenue	$156,845	$70,697	$44,267	$15,962	$287,771	$130,284	$ 65,769	$ —	$ 483,824
Net income									$ 30,176
Other income, net									(6,619)
Interest expense, net									1,229
Equity in earnings of unconsolidated subsidiaries, net									(1,022)
Income tax provision									16,062
Operating income (loss)	$ 31,854	$11,820	$ 8,972	$ 3,761	$ 56,407	$ 11,341	$ 5,084	$ (33,006)	39,826
Depreciation and amortization	1,883	887	835	173	3,778	6,058	848	1,840	12,524
Other income, net	448	282	92	10	832	53	548	5,186	6,619
Equity in earnings of unconsolidated subsidiaries, net	222	—	—	—	222	—	—	800	1,022
EBITDA	34,407	12,989	9,899	3,944	61,239	17,452	6,480	(25,180)	59,991
Restructuring charges, net	816	460	60	—	1,336	1,149	1,134	63	3,682
Separation costs	—	—	—	—	—	—	—	4,500	4,500
Integration costs	—	—	—	—	—	—	—	394	394
Adjusted EBITDA	$ 35,223	$13,449	$ 9,959	$ 3,944	$ 62,575	$ 18,601	$ 7,614	$ (20,223)	$ 68,567
Adjusted EBITDA margin	23.6%	19.6%	23.2%	24.9%	22.6%	14.7%	12.0%		14.7%

Three Months Ended October 31, 2014 Compared to Three Months Ended October 31, 2013

Fee Revenue

Fee Revenue. Fee revenue increased $17.7 million, or 7%, to $255.7 million in the three months ended October 31, 2014 compared to $238.0 million in the year-ago quarter. This increase in fee revenue was attributable to an increase in fee revenue in Executive Recruitment, Futurestep and LTC. Exchange rates unfavorably impacted fee revenue by $1.6 million, or 1%, in the three months ended October 31, 2014.

Executive Recruitment. Executive Recruitment reported fee revenue of $149.0 million, an increase of $8.9 million, or 6%, in the three months ended October 31, 2014 compared to $140.1 million in the year-ago quarter. As detailed below, Executive Recruitment fee revenue increased in North America and EMEA regions, partially offset by decreases in fee revenue in Asia Pacific and South America regions in the three months ended October 31, 2014 as compared to the year-ago quarter. The increase in Executive Recruitment fee revenue was mainly due to a 3% increase in both the number of Executive Recruitment engagements billed and in the weighted-average fees billed per engagement in the three months ended October 31, 2014 as compared to the three months ended October 31, 2013. Exchange rates unfavorably impacted fee revenue by $1.1 million, or 1%, in the three months ended October 31, 2014.

North America reported fee revenue of $82.7 million, an increase of $7.5 million, or 10%, in the three months ended October 31, 2014 compared to $75.2 million in the year-ago quarter. North America's increase in fee revenue is primarily due to a 10% increase in the weighted-average fees billed per engagement during the three months ended October 31, 2014 as compared to the year-ago quarter. The overall increase in fee revenue was primarily driven by increases in fee revenue in the consumer goods and industrial sectors, partially offset by a decrease in the technology sector as compared to the year-ago quarter. Exchange rates unfavorably impacted fee revenue by $0.4 million, or 1%, in the three months ended October 31, 2014.

EMEA reported fee revenue of $36.7 million, an increase of $2.5 million, or 7%, in the three months ended October 31, 2014 compared to $34.2 million in the year-ago quarter. EMEA's increase in fee revenue was primarily driven by a 13% increase in the number of engagements billed, offset by a 5% decrease in the weighted-average fees billed per engagement in the three months ended October 31, 2014 as compared to the year-ago quarter. The performance in existing offices in the United Kingdom, Sweden, Italy, and Switzerland were the primary contributors to the increase in fee revenue in the three months ended October 31, 2014 compared to the year-ago quarter, offset by a decrease in fee revenue in Germany. In terms of business sectors, financial services and consumer goods experienced the largest increases in fee revenue in the three months ended October 31, 2014 as compared to the year-ago quarter, partially offset by a decrease in the industrial sector. Exchange rates unfavorably impacted fee revenue by $0.2 million, or 1%, in the three months ended October 31, 2014.

Asia Pacific reported fee revenue of $21.2 million, a decrease of $0.6 million, or 3%, in the three months ended October 31, 2014 compared to $21.8 million in the year-ago quarter. The decrease in fee revenue was mainly due to a 3% decrease in the number of engagements billed in the three months ended October 31, 2014 compared to the year-ago quarter. The decrease in performance in Singapore and Japan were the primary contributors to the decrease in fee revenue in the three months ended October 31, 2014 compared to the year-ago quarter, offset by an increase in fee revenue in India and Australia. The largest decreases in fee revenue were experienced in the consumer goods and life sciences/healthcare sectors in the three months ended October 31, 2014 as compared to the year-ago quarter, partially offset by increases in the financial services and technology sectors. Exchange rates had no impact on fee revenue in the three months ended October 31, 2014.

South America reported fee revenue of $8.4 million, a decrease of $0.5 million, or 6%, in the three months ended October 31, 2014 compared to $8.9 million in the year-ago quarter. The decrease in fee revenue was mainly due to a 5% decrease in the number of engagements billed and a 1% decrease in weighted-average fees billed per engagement in the three months ended October 31, 2014 compared to the year-ago quarter. The decrease in performance in Brazil and Argentina were the primary contributors to the decrease in fee revenue in the three months ended October 31, 2014 compared to the year-ago quarter, partially offset by an increase in Colombia and Chile. Consumer goods, life sciences/healthcare and technology were the main sectors contributing to the decrease in fee revenue in the three months ended October 31, 2014 compared to the year-ago quarter, partially offset by an increase in fee revenue in the industrial sector during the same period. Exchange rates unfavorably impacted fee revenue for South America by $0.5 million, or 6%, in the three months ended October 31, 2014.

Leadership & Talent Consulting. Leadership & Talent Consulting reported fee revenue of $66.3 million, an increase of $0.3 million, in the three months ended October 31, 2014 compared to $66.0 million in the year-ago quarter. Fee revenue increased due to an increase in product revenue of $0.5 million, or 4%, in the three months ended October 31, 2014 compared to the year-ago quarter, offset by a decrease in consulting fee revenue of $0.2 million during the same period. Exchange rates unfavorably impacted fee revenue by $0.3 million, or 1%, in the three months ended October 31, 2014.

Futurestep. Futurestep reported fee revenue of $40.4 million, an increase of $8.5 million, or 27%, in the three months ended October 31, 2014 compared to $31.9 million in the year-ago quarter. The increase in Futurestep's fee revenue was due to an 18% increase in the weighted-average fees billed per engagement and a 7% increase in the number of engagements billed in the three months ended October 31, 2014 compared to the year-ago quarter. The increase in the weighted-average fees billed was driven by a 36% increase in fee revenue from recruitment process outsourcing and a 33% increase in professional recruitment. Exchange rates unfavorably impacted fee revenue by $0.2 million, or 1%, in the three months ended October 31, 2014.

Compensation and Benefits

Compensation and benefits expense increased $13.4 million, or 8%, to $174.7 million in the three months ended October 31, 2014 from $161.3 million in the year-ago quarter. This increase was due in large part to an increase in performance related bonus expense of $8.3 million and an increase of $4.2 million, $1.1 million, $0.9 million, and $0.8 million in salaries and related payroll taxes, the change in the cash surrender value of the company owned life insurance, outside contractors, and stock-based compensation expense. These increases in compensation and benefits expense were partially offset by management separation charges of $2.0 million recorded during the three months ended October 31, 2013 with no such charge in the three months ended October 31, 2014. The increase in performance related bonus expense was due to the continued adoption of our strategy, including referrals between lines of business, which increases fee revenue and profitability. Salaries and related payroll expense were also higher driven by an increase in average headcount for Executive Recruitment and Futurestep in the three months ended October 31, 2014 compared to the year-ago quarter. The increase in headcount, stock based compensation and outside contractors reflect our continued growth-related investments back into the business. Exchange rates favorably impacted compensation and benefits expenses by $1.1 million, or 1%, during the three months ended October 31, 2014.

The changes in the fair value of vested amounts owed under certain deferred compensation plans increased compensation and benefits expense by $1.0 million in the three months ended October 31, 2014 compared to an increase of $3.4 million in the year-ago quarter. Offsetting these changes in compensation and benefits expense was an increase in the fair value of marketable securities classified as trading (held in trust to satisfy obligations under certain deferred compensation plan liabilities) of $2.5 million and $4.4 million in the three months ended October 31, 2014 and 2013, respectively, recorded in other income, net on the consolidated statement of income.

Executive Recruitment compensation and benefits expense increased $6.2 million, or 7%, to $99.8 million in the three months ended October 31, 2014 compared to $93.6 million in the year-ago quarter. This increase was primarily attributable to higher salaries and related payroll taxes of $4.2 million driven by a 5% increase in the average headcount. In addition, there was an increase in performance related bonus expense of $2.7 million due to the continued adoption of our strategy as discussed above, resulting in higher revenue and profitability. Executive Recruitment compensation and benefits expense as a percentage of fee revenue was 67% in both the three months ended October 31, 2014 and 2013.

Leadership & Talent Consulting compensation and benefits expense increased $1.4 million, or 4%, to $39.6 million in the three months ended October 31, 2014 from $38.2 million in the year-ago quarter. The increase was primarily driven by an increase in performance related bonus expense of $1.2 million. The higher performance related bonus expense was primarily associated with an increase in fee revenue, profitability, and referrals between lines of business during the three months ended October 31, 2014 compared to the year-ago quarter. Leadership & Talent Consulting compensation and benefits expense as a percentage of fee revenue increased to 60% in the three months ended October 31, 2014 from 58% in the three months ended October 31, 2013.

Futurestep compensation and benefits expense increased $5.5 million, or 24%, to $28.0 million in the three months ended October 31, 2014 from $22.5 million in the year-ago quarter. The increase was primarily driven by an increase of $4.2 million in performance related bonus expense due to higher level of fee revenue, profitability, and referrals between lines of business, an increase of $0.5 million in salaries and related payroll taxes, and an increase of $0.5 million in outside contractors. The increase in salaries and related payroll taxes was due to a 6% increase in the average headcount and the increase in the use of outside contractors, both associated with the increase in staffing to accommodate the increase in fee revenue from our RPO business. Futurestep compensation and benefits expense as a percentage of fee revenue decreased to 69% in the three months ended October 31, 2014 from 70% in the three months ended October 31, 2013.

Corporate compensation and benefits expense increased $0.3 million, or 4%, to $7.3 million in the three months ended October 31, 2014 from $7.0 million in the year-ago quarter mainly due a change in the cash surrender value (“CSV”) of company owned life insurance (“COLI”). The change in CSV of COLI increased compensation and benefits expense by $1.1 million as compared to year-ago quarter. The increase in compensation and benefits expense occurred due to a decrease in CSV of COLI driven by a decrease in the investments underlying the COLI. COLI is held to fund other deferred compensation retirement plans. (see Note 6 — *Deferred Compensation and Retirement Plans*, included in the Notes to our Consolidated Financial Statements). Also contributing to the increase in compensation was an increase of $0.5 million in salaries and related payroll taxes and $0.5 million in stock-based compensation expense. These increases in compensation and benefits expense were partially offset by management separation charges of $2.0 million recorded during the three months ended October 31, 2013 with no such charge in the three months ended October 31, 2014.

General and Administrative Expenses

General and administrative expenses decreased $5.7 million, or 16%, to $30.1 million in the three months ended October 31, 2014 compared to $35.8 million in the year-ago quarter. General and administrative expenses as a percentage of fee revenue was 12% in the three months ended October 31, 2014 compared to 15% in the three months ended October 31, 2013. This decrease is mainly attributable to an insurance reimbursement of $6.2 million for legal fees incurred in prior periods and a decrease in marketing and business development expense of $0.7 million due to our ongoing cost control initiatives. This decline is partially offset by an increase in professional fees, primarily to drive our strategic initiatives and unfavorable foreign currency rates that resulted in a foreign currency loss of $0.5 million in the three months ended October 31, 2014 compared to a foreign currency gain of $0.8 million in the year-ago quarter. Exchange rates favorably impacted general and administrative expenses by $0.6 million or 2% during the three months ended October 31, 2014.

Executive Recruitment general and administrative expenses increased $1.5 million, or 9%, to $17.6 million in the three months ended October 31, 2014 from $16.1 million in the year-ago quarter. General and administrative expenses increased due to unfavorable foreign currency rates that resulted in a foreign currency loss of $0.3 million during the three months ended October 31, 2014 compared to a foreign currency gain of $1.0 million in the year-ago quarter and an increase in bad debt expense of $0.2 million. Executive Recruitment general and administrative expenses as a percentage of fee revenue was 12% in both the three months ended October 31, 2014 and 2013.

Leadership & Talent Consulting general and administrative expenses was $8.4 million in both the three months ended October 31, 2014 and 2013. Leadership & Talent Consulting general and administrative expenses as a percentage of fee revenue was 13% in both the three months ended October 31, 2014 and 2013.

Futurestep general and administrative expenses decreased $0.5 million, or 10%, to $4.3 million in the three months ended October 31, 2014 compared to $4.8 million in the year-ago quarter. General and administrative expenses decreased primarily due to a decrease of $0.3 million in marketing and business development expense due to our ongoing cost control initiatives. Futurestep general and administrative expenses as a percentage of fee revenue was 11% in the three months ended October 31, 2014 compared to 15% in the year-ago quarter.

Corporate general and administrative expenses decreased $6.7 million in the three months ended October 31, 2014 from $6.5 million in the year-ago quarter. The decrease in general and administrative expenses was driven by a decrease in legal fees mainly due to an insurance reimbursement of $6.2 million for legal fees incurred in prior periods, which was partially offset by $0.4 million in professional fees, primarily to drive our strategic initiatives. Also contributing to the decrease was favorable foreign currency rates that resulted in a reduction to general and administrative expense of $0.3 million in the three months ended October 31, 2014 compared to the year-ago quarter.

Cost of Services Expense

Cost of services expense consist primarily of non-billable contractor and product costs related to the delivery of various services and products. Cost of services expense decreased $1.4 million, or 13%, to $9.7 million in the three months ended October 31, 2014 compared to $11.1 million in the year-ago quarter. The decrease was due to an increased focus on utilization of internal resources versus outside contractors in our LTC business. Cost of services expense as a percentage of fee revenue was 4% in the three months ended October 31, 2014 compared to 5% in the year-ago quarter.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were $6.8 million in the three months ended October 31, 2014 compared to $6.6 million in the year-ago quarter. The increase relates primarily to technology investments that were made in the prior year. This expense relates mainly to computer equipment, software, furniture and fixtures, leasehold improvements, and intangible assets.

Operating Income

Operating income increased $11.2 million to $34.4 million in the three months ended October 31, 2014 as compared to $23.2 million in the year-ago quarter. This increase in operating income resulted from a $17.7 million increase in fee revenue, a decrease of $5.7 million in general and administrative expenses, and a decrease of $1.4 million in cost of services expenses, partially offset by an increase in compensation and benefits expense of $13.4 million and $0.2 million in depreciation and amortization expenses during the three months ended October 31, 2014 as compared to the year-ago quarter.

Executive Recruitment operating income increased $1.8 million to $29.9 million in the three months ended October 31, 2014 as compared to $28.1 million in the year-ago quarter. The increase in Executive Recruitment operating income is primarily attributable to an increase of $8.9 million in fee revenue during the three months ended October 31, 2014 compared to the year-ago quarter, partially offset by an increase in compensation and benefits expense of $6.2 million. The increase in compensation and benefits expense was due in part to investments in headcount to grow the business (an increase in the average headcount of 67 positions), as well as higher incentive compensation tied to referrals between Executive Recruitment, LTC and Futurestep resulting from the continued adoption of our strategy. In addition, general and administrative expenses are up $1.5 million during the same period due primarily to unfavorable foreign currency rates. Executive Recruitment operating income as a percentage of fee revenue was 20% in both the three months ended October 31, 2014 and 2013.

LTC operating income increased $0.8 million to $7.8 million in the three months ended October 31, 2014 as compared to $7.0 million in the year-ago quarter. The increase in LTC operating income was primarily due to a decrease of $2.0 million in cost of services expense during the three months ended October 31, 2014 as compared to the year-ago quarter, partially offset by an increase of $1.4 million in compensation and benefits expense. LTC operating income as a percentage of fee revenue was 12% in the three months ended October 31, 2014 compared to 11% in the three months ended October 31, 2013.

Futurestep operating income increased by $2.5 million to $5.1 million in the three months ended October 31, 2014 from $2.6 million in the year-ago quarter. The increase in Futurestep operating income was primarily due to an increase in fee revenue of $8.5 million and the decrease in general and administrative expenses of $0.5 million, offset by an increase of $5.5 million in compensation and benefits expense and an increase in cost of services expense of $0.7 million during the three months ended October 31, 2014 as compared to the year-ago quarter. Futurestep operating income as a percentage of fee revenue was 13% in the three months ended October 31, 2014 as compared to 8% in the three months ended October 31, 2013.

Adjusted EBITDA

Adjusted EBITDA increased $7.3 million to $44.0 million in the three months ended October 31, 2014 as compared to $36.7 million in the year-ago quarter. This increase was driven by higher fee revenue of $17.7 million, combined with decreases of $5.7 million and $4.1 million in general and administrative expenses and cost of services, respectively. Offsetting these increases in Adjusted EBITDA was $15.4 million more in compensation and benefits expense (excluding certain separation costs). Adjusted EBITDA as a percentage of fee revenue was 17% in the three months ended October 31, 2014 as compared to 15% in the three months ended October 31, 2013.

Executive Recruitment Adjusted EBITDA was $32.0 million and $30.7 million in the three months ended October 31, 2014 and 2013, respectively. Adjusted EBITDA increased $1.3 million during the three months ended October 31, 2014 as compared to the year-ago quarter due to the increase of $8.9 million in fee revenue, offset by an increase in compensation and benefits expense of $6.2 million. The increase in compensation and benefits expense was due in part to investments in headcount to grow the business, as well as higher incentive compensation tied to referrals between Executive Recruitment, LTC and Futurestep resulting from continued adoption of our strategy. In addition, general and administrative expenses increased $1.5 million due primarily to unfavorable foreign currency rates. Executive Recruitment Adjusted EBITDA as a percentage of fee revenue was 21% in the three months ended October 31, 2014 as compared to 22% in the year-ago quarter.

LTC Adjusted EBITDA increased by $0.6 million to $10.9 million in the three months ended October 31, 2014 as compared to $10.3 million in the year-ago quarter. This increase was primarily due to a decrease in cost of services of $2.0 million, offset by an increase of $1.4 million in compensation and benefits expense. The decrease in cost of services primarily relates to an increased focus on the utilization of internal resources versus outside contractors. The increase in compensation and benefit expenses was due to an increase in performance related bonus expense resulting from higher fee revenue and the continued adoption of the Company's integrated go to market strategy across all three of our lines of businesses. LTC Adjusted EBITDA as a percentage of fee revenue was 16% in the three months ended October 31, 2014 as compared to 15% in the year-ago quarter.

Futurestep Adjusted EBITDA increased by $2.6 million to $5.6 million in the three months ended October 31, 2014 as compared to $3.0 million in the year-ago quarter. The increase in Futurestep Adjusted EBITDA was primarily due to an increase in fee revenue of $8.5 million and a decrease in general and administrative expenses of $0.5 million, offset by an increase of $5.5 million in compensation and benefits expense and $0.7 million in cost of services expense during the three months ended October 31, 2014 as compared to the year-ago quarter. Futurestep Adjusted EBITDA as a percentage of fee revenue was 14% in the three months ended October 31, 2014 as compared to 9% in the year-ago quarter.

Other Income, Net

Other income, net decreased by $1.9 million, to $2.4 million in the three months ended October 31, 2014 as compared to $4.3 million in the year-ago quarter. The decrease in other income, net is due to a smaller increase in the fair value of our marketable securities during the three months ended October 31, 2014 compared to the three months ended October 31, 2013.

Interest Expense, Net

Interest expense, net primarily relates to borrowings under our COLI policies, which is partially offset by interest earned on cash and cash equivalent balances. Interest expense, net was $0.9 million in the three months ended October 31, 2014 as compared to $0.6 million in the year-ago quarter.

Equity in Earnings of Unconsolidated Subsidiaries

Equity in earnings of unconsolidated subsidiaries is comprised of our less than 50% interest in our Mexican subsidiary and IGroup, LLC. We report our interest in earnings or loss of our Mexican subsidiary and IGroup, LLC on the equity basis as a one-line adjustment to net income. Equity in earnings was $0.4 million in the three months ended October 31, 2014 as compared to $0.5 million in the year-ago quarter.

Income Tax Provision

The provision for income taxes was $10.9 million in the three months ended October 31, 2014 compared to $8.6 million in the year-ago quarter. The provision for income taxes in the three months ended October 31, 2014 and 2013 reflects a 30% and 32% effective tax rate, respectively. The decrease in the effective tax rate for the three months ended October 31, 2014 is due to a higher percentage of taxable income arising in jurisdictions with lower statutory tax rates.

Six Months Ended October 31, 2014 Compared to Six Months Ended October 31, 2013

Fee Revenue

Fee Revenue. Fee revenue increased $40.5 million, or 9%, to $506.9 million in the six months ended October 31, 2014 compared to $466.4 million in the six months ended October 31, 2013. This increase in fee revenue was attributable to an increase in fee revenue in Executive Recruitment, Futurestep and LTC. Exchange rates favorably impacted fee revenue by $0.9 million in the six months ended October 31, 2014.

Executive Recruitment. Executive Recruitment reported fee revenue of $297.4 million, an increase of $20.7 million, or 7%, in the six months ended October 31, 2014 compared to $276.7 million in the six months ended October 31, 2013. As detailed below, Executive Recruitment fee revenue increased in North America and EMEA regions, partially offset by decreases in fee revenue in Asia Pacific and South America regions in the six months ended October 31, 2014 as compared to the six months ended October 31, 2013. The increase in Executive Recruitment fee revenue was mainly due to a 5% increase in the number of Executive Recruitment engagements billed, and a 2% increase in the weighted-average fees billed per engagement during in the six months ended October 31, 2014 as compared to the six months ended October 31, 2013. Exchange rates favorably impacted fee revenue by $0.3 million in the six months ended October 31, 2014.

North America reported fee revenue of $165.0 million, an increase of $15.7 million, or 11%, in the six months ended October 31, 2014 compared to $149.3 million in the six months ended October 31, 2013. North America’s increase in fee revenue is primarily due to a 6% increase in the weighted-average fees billed per engagement and a 4% increase in the number of engagements billed during the six months ended October 31, 2014 as compared to the six months ended October 31, 2013. The overall increase in fee revenue was primarily driven by increases in fee revenue in the consumer goods, industrial, life sciences/healthcare, and financial services sectors as compared to the six months ended October 31, 2013, partially offset by a decrease in the technology sector. Exchange rates unfavorably impacted fee revenue by $0.8 million, or 1%, in the six months ended October 31, 2014.

EMEA reported fee revenue of $77.0 million, an increase of $8.4 million, or 12%, in the six months ended October 31, 2014 compared to $68.6 million in the six months ended October 31, 2013. EMEA’s increase in fee revenue was primarily driven by a 12% increase in the number of engagements billed in the six months ended October 31, 2014 as compared to the year-ago period. The performance in existing offices in the United Kingdom, Sweden, Italy, Spain and France were the primary contributors to the increase in fee revenue in the six months ended October 31, 2014 compared to the six months ended October 31, 2013, offset by a decrease in fee revenue in Denmark. In terms of business sectors, industrial, consumer goods, financial services and life sciences/healthcare experienced the largest increases in fee revenue in the six months ended October 31, 2014 as compared to the year-ago period, partially offset by a decrease in the technology sector. Exchange rates favorably impacted fee revenue by $2.2 million, or 3%, in the six months ended October 31, 2014.

Asia Pacific reported fee revenue of $40.7 million, a decrease of $2.2 million, or 5%, in the six months ended October 31, 2014 compared to $42.9 million in the six months ended October 31, 2013. The decrease in fee revenue was mainly due to a 6% decrease in weighted-average fees billed per engagement, partially offset by a 1% increase in the number of engagements billed in the six months ended October 31, 2014 compared to the year-ago period. The decrease in performance in Singapore and Japan were the primary contributors to the decrease in fee revenue in the six months ended October 31, 2014 compared to the six months ended October 31, 2013, offset by an increase in fee revenue in India and Hong Kong. Life sciences/healthcare and consumer goods were the main sectors contributing to the decrease in fee revenue in the six months ended October 31, 2014 as compared to the year-ago period, partially offset by an increase in fee revenue in the financial services and technology sectors. Exchange rates unfavorably impacted fee revenue by $0.2 million in the six months ended October 31, 2014.

South America reported fee revenue of $14.7 million, a decrease of $1.2 million, or 8%, in the six months ended October 31, 2014 compared to $15.9 million in the six months ended October 31, 2013. The decrease in fee revenue was mainly due to a 4% decrease in weighted-average fees billed per engagement and a 4% decrease in the number of engagements billed in the six months ended October 31, 2014 compared to the year-ago period. The decrease in performance in Brazil was the primary contributor to the decrease in fee revenue in the six months ended October 31, 2014 compared to the six months ended October 31, 2013, partially offset by an increase in Chile and Colombia. Consumer goods, technology and life sciences/healthcare were the main sectors contributing to the decrease in fee revenue in the six months ended October 31, 2014 compared to the year-ago period, partially offset by an increase in fee revenue in the financial services and industrial sectors during the same period. Exchange rates unfavorably impacted fee revenue for South America by $0.9 million or 6% in the six months ended October 31, 2014.

Leadership & Talent Consulting. Leadership & Talent Consulting reported fee revenue of $129.9 million, an increase of $3.8 million, or 3%, in the six months ended October 31, 2014 compared to $126.1 million in the six months ended October 31, 2013. Fee revenue increased due to an increase in consulting fee revenue of $2.5 million, or 3%, in the six months ended October 31, 2014 compared to the year-ago period, and an increase in product revenue of $1.3 million, or 5% compared to the six months ended October 31, 2013. Exchange rates favorably impacted fee revenue by $0.2 million in the six months ended October 31, 2014.

Futurestep. Futurestep reported fee revenue of $79.6 million, an increase of $16.0 million, or 25%, in the six months ended October 31, 2014 compared to $63.6 million in the six months ended October 31, 2013. The increase in Futurestep's fee revenue was due to a 23% increase in the weighted-average fees billed per engagement and a 1% increase in the number of engagements billed in the six months ended October 31, 2014 compared the year-ago period. The increase in the weighted-average fees billed was driven by a 41% increase in fee revenue from recruitment process outsourcing and a 23% increase in professional recruitment. Exchange rates favorably impacted fee revenue by $0.4 million or 1% in the six months ended October 31, 2014.

Compensation and Benefits

Compensation and benefits expense increased $29.7 million, or 9%, to $343.8 million in the six months ended October 31, 2014 from $314.1 million in the year-ago period. This increase was due in large part to an increase in performance related bonus expense of $16.5 million and an increase of $11.9 million, $2.5 million, $1.2 million, $1.1 million and $0.9 million in salaries and related payroll taxes, outside contractors, stock compensation, employee insurance cost and vacation expense, respectively. These increases in compensation and benefits expense were partially offset by management separation charges of $4.5 million recorded during the six months ended October 31, 2013 with no such charge in the six months ended October 31, 2014. The increase in performance related bonus expense was due to the continued adoption of our strategy, including referrals between lines of business, resulting in an increase in fee revenue and profitability. The higher level of salaries and related payroll expense, employee insurance cost and vacation expense was due to an increase in average headcount for Executive Recruitment and Futurestep, reflecting our continued growth-related investments back into the business. Exchange rates unfavorably impacted compensation and benefits expenses by $0.2 million during the six months ended October 31, 2014.

The changes in the fair value of vested amounts owed under certain deferred compensation plans increased compensation and benefits expense by $2.7 million in the six months ended October 31, 2014 compared to an increase of $5.0 million in the six months ended October 31, 2013. Offsetting these changes in compensation and benefits expense was an increase in the fair value of marketable securities classified as trading (held in trust to satisfy obligations under certain deferred compensation plan liabilities) of $4.5 million and $6.4 million in the six months ended October 31, 2014 and 2013, respectively, recorded in other income, net on the consolidated statement of income.

Executive Recruitment compensation and benefits expense increased $15.7 million, or 9%, to $197.7 million in the six months ended October 31, 2014 compared to $182.0 million in the six months ended October 31, 2013. This increase was primarily due to an increase of $9.1 million in salaries and related payroll taxes, $0.7 million in vacation expense and an increase of $0.3 million in employee insurance cost, all due to a 5% increase in the average headcount. In addition, there was an increase in performance related bonus expense of $5.2 million due to the continued adoption of our strategy as discussed above, resulting in higher revenue and profitability and an increase in outside contractors of $0.4 million in order to support the increase in our overall business. Executive Recruitment compensation and benefits expense as a percentage of fee revenue was 66% in both the six months ended October 31, 2014 and 2013.

Leadership & Talent Consulting compensation and benefits expense increased $6.0 million, or 8%, to $78.3 million in the six months ended October 31, 2014 from $72.3 million in the six months ended October 31, 2013. The increase was driven by an increase in performance related bonus expense of $4.4 million primarily associated with an increase in fee revenue, profitability, and referrals between lines of business during the six months ended October 31, 2014 compared to the six months ended October 31, 2013. The rest of the increase was due to increases in temporary workers of $0.5 million and recruitment expenses of $0.5 million, both as a result of supporting higher level of fee revenue, and an increase in the fair value of vested amounts owed under certain deferred compensation plans of $0.3 million. Leadership & Talent Consulting compensation and benefits expense as a percentage of fee revenue increased to 60% in the six months ended October 31, 2014 from 57% in the six months ended October 31, 2013.

Futurestep compensation and benefits expense increased $10.9 million, or 25%, to $54.7 million in the six months ended October 31, 2014 from $43.8 million in the six months ended October 31, 2013. The increase was primarily driven by an increase in performance related bonus expense due to higher level of fee revenue, profitability, and referrals between lines of business and increases in salaries and related payroll taxes of $2.8 million, an increase of $1.6 million in outside contractors and an increase in employee insurance cost of $0.4 million. The increase in salaries and related payroll taxes and employee insurance cost was due to a 10% increase in the average headcount and the increase in the use of outside contractors was primarily associated with the increase in staffing to accommodate the increase in fee revenue from our RPO business. Futurestep compensation and benefits expense as a percentage of fee revenue was 69% in both the six months ended October 31, 2014 and 2013.

Corporate compensation and benefits expense decreased $2.9 million, or 18%, to $13.1 million in the six months ended October 31, 2014 from $16.0 million in the six months ended October 31, 2013 mainly due to management separation charges of $4.5 million recorded during the six months ended October 31, 2013 with no such charge in the six months ended October 31, 2014, offset with an increase of $0.9 million in salaries and related payroll taxes, $0.8 million increase in performance related bonus expense and a $0.7 million increase in stock based compensation due to the overall profitability of the Company. Also contributing to a decrease in compensation and benefits expense was a change in the CSV of COLI. The change in CSV of COLI reduced compensation and benefits expense by $5.5 million and $4.6 million in the six months ended October 31, 2014 and 2013, respectively. The increase in CSV of COLI was due to an increase in investments underlying the COLI. COLI is held to fund other deferred compensation retirement plans. (see Note 6 — *Deferred Compensation and Retirement Plans*, included in the Notes to our Consolidated Financial Statements)

General and Administrative Expenses

General and administrative expenses decreased $8.2 million, or 11%, to $67.5 million in the six months ended October 31, 2014 compared to $75.7 million in the six months ended October 31, 2013. General and administrative expenses as a percentage of fee revenue was 13% in the six months ended October 31, 2014 compared to 16% in the six months ended October 31, 2013. The decrease is attributable to $10.1 million in legal fees primarily due to a $6.2 million insurance reimbursement for legal fees incurred in prior periods and a decline in other legal fees during the six months ended October 31, 2014 compared to the six months ended October 31, 2013. The rest of the decrease was due to a decrease in marketing and business development expense of $2.3 million as the six months ended October 31, 2013 included higher than normal costs related to the integration of the PDI and Global Novations, LLC ("Global Novations") acquisitions into the LTC business as well as ongoing cost control initiatives. These decreases were partially offset by unfavorable foreign currency rates that resulted in an increase in general and administrative expenses of $2.0 million in the six months ended October 31, 2014 compared to the six months ended October 31, 2013, an increase of $0.7 million in bad debt expense, $0.6 million of professional fees due to our strategic initiatives and an increase of $0.4 million in premise and office costs. Exchange rates favorably impacted general and administrative expenses by $0.3 million during the six months ended October 31, 2014.

Executive Recruitment general and administrative expenses increased $3.4 million, or 10%, to $36.4 million in the six months ended October 31, 2014 from $33.0 million in the six months ended October 31, 2013. General and administrative expenses increased due to unfavorable exchange rates that resulted in an increase in general and administrative expenses of $1.8 million during the six months ended October 31, 2014 compared to the six months ended October 31, 2013. The remaining increase was due to an increase of $0.8 million in other general and administrative expenses and an increase of $0.6 million in premise and office costs. Executive Recruitment general and administrative expenses as a percentage of fee revenue was 12% in both the six months ended October 31, 2014 and 2013.

Leadership & Talent Consulting general and administrative expenses decreased $0.8 million, or 4%, to $17.1 million in the six months ended October 31, 2014 from $17.9 million in the six months ended October 31, 2013. The decrease is attributable to a decrease in marketing and business development expenses and other general and administrative expenses of $0.8 million and $0.7 million, respectively offset by an increase in foreign exchange loss of $0.8 million in the six months ended October 31, 2014 compared to the six months ended October 31, 2013. The decrease in marketing and business development expense is due to higher than normal costs in the six months ended October 31, 2013 related to the integration of the PDI and Global Novation acquisitions into the LTC business while the decrease in other general and administrative expenses is due in large part to a decrease in travel related expenses. Leadership & Talent Consulting general and administrative expenses as a percentage of fee revenue was 13% in the six months ended October 31, 2014 compared to 14% in the six months ended October 31, 2013.

Futurestep general and administrative expenses decreased $0.7 million, or 7%, to $9.0 million in the six months ended October 31, 2014 compared to $9.7 million in the six months ended October 31, 2013. General and administrative expenses decreased due to a decrease of $0.6 million in marketing and business development expense due to our ongoing cost control initiatives during the six months ended October 31, 2014 compared to the year-ago period. Futurestep general and administrative expenses as a percentage of fee revenue was 11% in the six months ended October 31, 2014 compared to 15% in the six months ended October 31, 2013.

Corporate general and administrative expenses decreased $10.1 million, or 67%, to $5.0 million in the six months ended October 31, 2014 compared to $15.1 million in the six months ended October 31, 2013. The decrease in general and administrative expenses was driven by a $10.1 million decrease in legal fees, primarily related to a $6.2 million insurance reimbursements for legal fees incurred in prior periods and a decline in other legal fees during the six months ended October 31, 2014 compared to the six months ended October 31, 2013. The rest of the decrease was due to a decrease of $0.9 million in business development expenses due to our ongoing cost control initiatives, offset by $0.9 million increase in professional fees, primarily to drive our strategic initiatives.

Cost of Services Expense

Cost of services expense consist primarily of non-billable contractor and product costs related to the delivery of various services and products. Cost of services expense decreased $1.5 million, or 7%, to $19.1 million in the six months ended October 31, 2014 compared to $20.6 million in the six months ended October 31, 2013. The decrease was due to an increased focus on utilization of internal resources versus outside contractors in our LTC business. Cost of services expense as a percentage of fee revenue was 4% in both the six months ended October 31, 2014 and 2013.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were $13.6 million, an increase of $1.1 million in the six months ended October 31, 2014 compared to $12.5 million in the six months ended October 31, 2013. The increase relates primarily to technology investments that were made in the prior year. This expense relates mainly to computer equipment, software, furniture and fixtures, leasehold improvements, and intangible assets.

Restructuring Charges, Net

During the six months ended October 31, 2014, we took actions to rationalize our cost structure as a result of efficiencies obtained from prior year technology investments that enabled further integration of the legacy business and the recent acquisitions as well as other cost saving initiatives. As a result, we recorded $9.9 million in restructuring charges, net in the six months ended October 31, 2014, of which $9.6 million relates to severance and $0.3 million relates to consolidation/abandonment of premises. During the six months ended October 31, 2013, as part of the integration of PDI, we recorded $3.7 million of restructuring charges, net, of which $2.9 million related to consolidation of premises and $0.8 million related to severance.

Operating Income

Operating income increased $13.2 million to $53.0 million in the six months ended October 31, 2014 as compared to $39.8 million in the six months ended October 31, 2013. This increase in operating income resulted from a $40.5 million increase in fee revenue, a decrease of $8.2 million and $1.5 million in general and administrative expenses and cost of services expense, respectively, partially offset by an increase in compensation and benefits expense of $29.7 million, restructuring charges, net of $6.2 million, and $1.1 million in depreciation and amortization expenses during the six months ended October 31, 2014 as compared to the six months ended October 31, 2013.

Executive Recruitment operating income decreased $2.3 million to $54.1 million in the six months ended October 31, 2014 as compared to $56.4 million in the six months ended October 31, 2013. The decrease in Executive Recruitment operating income is primarily attributable to an increase of $4.2 million in restructuring charges, net. The increase in fee revenue of $20.7 million was offset by an increase in compensation and benefits expense of 15.7 million during the six months ended October 31, 2014 compared to the year-ago period. The increase was due in part to investments in headcount to grow the business (an increase in the average headcount of 77 positions), as well as higher incentive compensation tied to referrals between Executive Recruitment, LTC and Futurestep resulting from continued adoption of our strategy. In addition, general and administrative expenses are up $3.4 million during the same period partially due unfavorable foreign exchange rates and premise and office costs. Executive Recruitment operating income as a percentage of fee revenue was 18% in the six months ended October 31, 2014 compared to 20% in the six months ended October 31, 2013.

LTC operating income decreased $0.1 million to $11.2 million in the six months ended October 31, 2014 as compared to $11.3 million in the six months ended October 31, 2013. LTC operating income as a percentage of fee revenue was 9% in both the six months ended October 31, 2014 and 2013.

Futurestep operating income increased by $3.5 million to $8.6 million in the six months ended October 31, 2014 from $5.1 million in the six months ended October 31, 2013. The increase in Futurestep operating income was primarily due to an increase in fee revenue of $16.0 million, and a decrease in general and administrative expenses of $0.7 million partially offset by an increase of $10.9 million in compensation and benefits expense, $1.9 million increase in cost of services expense and an increase in restructuring charges, net of $0.2 million during the six months' ended October 31, 2014 as compared to the six months ended October 31, 2013. Futurestep operating income as a percentage of fee revenue was 11% in the six months ended October 31, 2014 as compared to 8% in the six months ended October 31, 2013.

Adjusted EBITDA

Adjusted EBITDA increased $13.3 million to $81.9 million in the six months ended October 31, 2014 as compared to $68.6 million in the six months ended October 31, 2013. This increase was driven by higher fee revenue of $40.5 million, decreases of $7.8 million and $1.5 million in general and administrative expenses (excluding integration/acquisition costs) and cost of services expense, respectively. Offsetting these increases in EBITDA was higher compensation and benefits expense (excluding certain separation costs) of $34.2 million and a decrease in other income, net of $2.0 million during the six months ended October 31, 2014 over the comparable period a year ago. Adjusted EBITDA as a percentage of fee revenue was 16% in the six months ended October 31, 2014 as compared to 15% in the six months ended October 31, 2013.

Executive Recruitment Adjusted EBITDA was $63.9 million and $62.5 million in the six months ended October 31, 2014 and 2013, respectively. Adjusted EBITDA increased $1.4 million during the six months ended October 31, 2014 as compared to the six months ended October 31, 2013 due to the increase of $20.7 million in fee revenue, offset by an increase of $15.7 million in compensation and benefits expense. The increase was due in part to investments in headcount to grow the business, as well as higher incentive compensation tied to referrals between Executive Recruitment, LTC and Futurestep resulting from continued adoption of our strategy. In addition, general and administrative expenses increased $3.4 million during the same period partially due to increased levels of business activity as well as other increases such as foreign exchange loss and premise and office costs. Executive Recruitment Adjusted EBITDA as a percentage of fee revenue was 21% in the six months ended October 31, 2014 as compared to 23% in the six months ended October 31, 2013.

LTC Adjusted EBITDA increased by $1.9 million to $20.6 million in the six months ended October 31, 2014 as compared to $18.7 million in the six months ended October 31, 2013. This increase was due to an increase in fee revenue of $3.8 million, a decrease in cost of services and general administrative expenses of $3.4 million and $0.8 million, respectively, offset by an increase in compensation and benefit expense of $6.0 million. The decrease in cost of services primarily relates to an increased focus on the utilization of internal resources versus outside contractors as evidenced by the 200 basis points increase in our staff utilization to a rate of 70% during the six months ended October 31, 2014. The decrease in general and administrative expenses related to lower marketing and business development expenses in the six months ended October 31, 2014 as compared to the six months ended October 31, 2013, as last year's quarter included higher than normal costs related to the integration of the PDI and Global Novations acquisitions into the LTC business. The increase in compensation and benefit expenses was due to an increase in performance related bonus expense resulting from higher fee revenue and the continued adoption of the company's integrated go to market strategy across all three of our lines of businesses. LTC Adjusted EBITDA as a percentage of fee revenue was 16% in the six months ended October 31, 2014 as compared to 15% in the six months ended October 31, 2013.

Futurestep Adjusted EBITDA increased by $3.2 million to $10.9 million in the six months ended October 31, 2014 as compared to $7.7 million in the six months ended October 31, 2013. The increase in Futurestep Adjusted EBITDA was primarily due to an increase in fee revenue of $16.0 million, offset by an increase of $10.9 million in compensation and benefits expense and $1.9 million in cost of services expense during the six months ended October 31, 2014 as compared to the six months ended October 31, 2013. Futurestep Adjusted EBITDA as a percentage of fee revenue was 14% in the six months ended October 31, 2014 as compared to 12% in the six months ended October 31, 2013.

Other Income, Net

Other income, net decreased by $2.0 million, to $4.6 million in the six months ended October 31, 2014 as compared to $6.6 million in the six months ended October 31, 2013. The decrease in other income, net is due to a smaller increase in the fair value of our marketable securities during the six months ended October 31, 2014 compared to the year-ago period.

Interest Expense, Net

Interest expense, net primarily relates to borrowings under our COLI policies, which is partially offset by interest earned on cash and cash equivalent balances. Interest expense, net was $1.7 million in the six months ended October 31, 2014 as compared to $1.2 million in the six months ended October 31, 2013.

Equity in Earnings of Unconsolidated Subsidiaries

Equity in earnings of unconsolidated subsidiaries is comprised of our less than 50% interest in our Mexican subsidiary and IGroup, LLC. We report our interest in earnings or loss of our Mexican subsidiary and IGroup, LLC on the equity basis as a one-line adjustment to net income. Equity in earnings was $0.9 million in the six months ended October 31, 2014 as compared to $1.0 million in the six months ended October 31, 2013.

Income Tax Provision

The provision for income taxes was $16.9 million in the six months ended October 31, 2014 compared to $16.0 million in the six months ended October 31, 2013. The provision for income taxes in the six months ended October 31, 2014 and 2013 reflects a 30% and 36% effective tax rate, respectively. The decrease in the effective tax rate for the six months ended October 31, 2014 is due to a state income tax benefit that is discrete to the first quarter of fiscal 2015 and a higher percentage of taxable income arising in jurisdictions with lower statutory tax rates. The effective tax rate for the six months ended October 31, 2013 was also higher due to losses, incurred primarily as a result of restructuring costs, which were discrete to the six months ended October 31, 2013.

Liquidity and Capital Resources

The Company and its Board of Directors endorse a balanced approach to capital allocation. First, the Company's strategy has been to become the world's premier talent management firm by utilizing capital for investment in the Company's consultants and intellectual property, as well as the strategic acquisition of businesses perceived to be both accretive and in the best interests of the Company – acquisitions that produce a return superior to the Company's cost of capital. Management believes recent acquisitions have not only yielded such returns but have helped to create a stronger, broader, solution-rich firm that is less economically cyclical and more strategically relevant to its clients.

In addition, on December 8, 2014, the Board of Directors adopted a dividend policy, reflecting an intention to distribute to our stockholders a regular quarterly cash dividend of $0.10 per share, commencing at the conclusion of the third quarter of fiscal 2015. The declaration and payment of dividends under the quarterly dividend program will be at the discretion of the Board of Directors and will depend upon many factors, including our earnings, capital requirements, financial conditions, the terms of our indebtedness and other factors our Board of Directors may deem to be relevant. Our Board of Directors may, however, amend, revoke or suspend our dividend policy at any time and for any reason.

On December 8, 2014, the Board of Directors also approved an increase in the Company's stock repurchase program to an aggregate of $150 million. Common stock may be repurchased from time to time in open market or privately negotiated transactions at the Company's discretion subject to market conditions and other factors.

Our performance is subject to the general level of economic activity in the geographic regions and the industries which we service. We believe, based on current economic conditions, that our cash on hand and funds from operations will be sufficient to meet anticipated working capital, capital expenditures, general corporate requirements, dividend payments under our dividend policy, and repurchases of shares of our common stock under our stock repurchase program, during the next twelve months. However, if the national or global economy, credit market conditions, and/or labor markets were to deteriorate in the future, such changes would put negative pressure on demand for our services and affect our operating cash flows. If these conditions were to persist over an extended period of time, we may incur negative cash flows, and it might require us to access our existing credit facility to meet our capital needs and/or discontinue our dividend policy or refrain from repurchasing our common stock.

Cash and cash equivalents and marketable securities were $400.1 million and $468.3 million as of October 31, 2014 and April 30, 2014, respectively, which includes $135.6 million and $116.2 million held in trust for settlement of our obligations under certain deferred compensation plans. As of October 31, 2014 and April 30, 2014, we held $148.6 million and $193.3 million, respectively of cash and cash equivalents in foreign locations, substantially all of which is readily convertible into other foreign currencies. If these amounts were distributed to the United States, in the form of dividends, we would be subject to additional U.S. income taxes. The Company has a plan to distribute a portion of the cash held in foreign locations to the United States. No deferred tax liability has been recorded for these distributions because no additional taxes would arise in connection with distributions from the foreign locations in the distribution plan. Cash and cash equivalents consist of cash and highly liquid investments purchased with original maturities of three months or less. Marketable securities consist of mutual funds and investments in corporate bonds. The primary objectives of our investment in mutual funds are to meet the obligations under certain of our deferred compensation plans, while the other securities are available for general corporate purposes.

As of October 31, 2014 and April 30, 2014, our marketable securities of $151.9 million and $134.6 million, respectively, included $135.6 million (gross unrealized gains of $8.8 million and gross unrealized losses of $0.5 million) and $116.2 million (gross unrealized gains of $9.2 million and gross unrealized losses of $0.7 million), respectively, held in trust for settlement of our obligations under certain deferred compensation plans, of which $123.9 million and $111.7 million, respectively, are classified as non-current. Our vested and unvested obligations for which these assets were held in trust totaled $135.9 million and $117.6 million as of October 31, 2014 and April 30, 2014, respectively. As of October 31, 2014 and April 30, 2014, we had marketable securities classified as available-for-sale with a balance of $16.3 million and $18.4 million, respectively.

The net increase in our working capital of $29.8 million as of October 31, 2014 compared to April 30, 2014 is primarily attributable to a decrease in compensation and benefits payable and increases in accounts receivable and marketable securities, offset by a decrease in cash and cash equivalents. The decrease in compensation and benefits payable and cash and cash equivalents was primarily due to the payment of annual bonuses earned in fiscal 2014 and paid during the first quarter of 2015. Accounts receivable increased due to an increase in the days of sales outstanding which increased from 57 days to 72 days (which is consistent with historical experience) from April 30, 2014 to October 31, 2014. The increase in marketable securities was due to an increase in the current portion of marketable securities due to the expectation that these investments will be sold in the next twelve months to pay for deferred compensation benefits that come due. Cash used by operating activities was $52.0 million in six months ended October 31, 2014, an increase of $16.4 million from cash used by operating activities of $35.6 million in the six months ended October 31, 2013. The increase in cash used in operating activities is primarily because fiscal 2014 bonus paid in the six months ended October 31, 2014 were higher than fiscal 2013 bonuses paid during the six months ended October 31, 2013. The Company paid bonuses related to fiscal 2014 of $137.7 million in cash during the six months ended October 31, 2014 compared to $109.4 million paid in the six months ended October 31, 2013. The Company expects to pay bonuses related to fiscal 2014 of $2.8 million in cash during the remainder of fiscal 2015.

Cash used in investing activities was $22.4 million in the six months ended October 31, 2014, an increase of $14.5 million from cash used in investing activities of $7.9 million in the six months ended October 31, 2013. The increase in cash used in investing activities is primarily attributable to an increase of $28.5 million in the net purchase and sales/maturities of marketable securities, offset by the contingent consideration payment of $15.0 million made to the selling stockholders of PDI in the six months ended October 31, 2013.

Cash used by financing activities was $1.2 million during the six months ended October 31, 2014 compared to cash provided by financing activities of $2.0 million during the six months ended October 31, 2013. Cash used in financing activities increased primarily due to an increase of $1.8 million in cash used to repurchase shares of common stock to satisfy tax withholding requirements upon the vesting of restricted stock, a decrease of $0.7 million in cash proceeds from the exercise of employee stock options and $0.7 million paid on life insurance policy loans in the six months ended October 31, 2014. As of October 31, 2014, $24.4 million remained available for common stock repurchases under our stock repurchase program, approved by the Board of Directors on November 2, 2007.

Cash Surrender Value of Company Owned Life Insurance Policies, Net of Loans

The Company purchased Company Owned Life Insurance (“COLI”) policies or contracts insuring certain employees eligible to participate in the deferred compensation and pension plans as a means of funding benefits under such plans. As of October 31, 2014 and April 30, 2014, we held contracts with gross CSV of $171.2 million and $167.2 million, respectively. During the six months ended October 31, 2014 and 2013, we paid our premiums under our COLI contracts from operating cash, and in prior years, we generally borrowed under our COLI contracts to pay related premiums. Such borrowings do not require annual principal repayments, bear interest primarily at variable rates and are secured by the CSV of COLI contracts. Total outstanding borrowings against the CSV of COLI contracts were $72.2 million and $72.9 million as of October 31, 2014 and April 30, 2014, respectively. At October 31, 2014 and April 30, 2014, the net cash value of these policies was $99.0 million and $94.3 million, respectively.

Long-Term Debt

Our senior unsecured revolving Credit Agreement provides for an aggregate availability up to $75.0 million with an option to increase the facility by an additional $50.0 million, subject to lender consent, and a $15.0 million sub-limit for letters of credit (the "Credit Agreement"). The Credit Agreement matures on January 18, 2018. Borrowings under the Credit Agreement bear interest, at our election, at the London Interbank Offered Rate ("LIBOR") plus the applicable margin or the base rate plus the applicable margin. The base rate is the highest of (i) the published prime rate, (ii) the federal funds rate plus 1.50%, or (iii) one month LIBOR plus 1.50%. The applicable margin is based on a percentage per annum determined in accordance with a specified pricing grid based on the total funded debt to adjusted EBITDA ratio. For LIBOR loans, the applicable margin will range from 0.50% to 1.50% per annum, while for base rate loans the applicable margin will range from 0.00% to 0.25% per annum. We are required to pay a quarterly commitment fee of 0.25% to 0.35% on the facility's unused commitments based on the Company's funded debt to adjusted EBITDA ratio. The financial covenants include a maximum consolidated funded debt to adjusted EBITDA ratio, and a minimum adjusted EBITDA, each as defined in the Credit Agreement. As of October 31, 2014, we complied with the financial covenants. In addition, there is a domestic liquidity requirement that we maintain $50.0 million in unrestricted cash and/or marketable securities (excluding any marketable securities that are held in trust for the settlement of our obligations under certain deferred compensation plans) as a condition to consummating permitted acquisitions, paying dividends to our stockholders and shares repurchases of our common stock. We are permitted to pay up to $50.0 million in dividends in any fiscal year (subject to the satisfaction of certain conditions), which amount is further limited by any shares repurchased and any consideration paid with respect to acquisitions during such fiscal year.

As of October 31, 2014 and April 30, 2014, we had no borrowings under our long-term debt arrangements. At October 31, 2014 and April 30, 2014, there was $2.8 million of standby letters of credit issued under our long-term debt arrangements. We had a total of $1.5 million of standby letters of credits with other financial institutions as of October 31, 2014 and April 30, 2014.

We are not aware of any other trends, demands or commitments that would materially affect liquidity or those that relate to our resources.

Off-Balance Sheet Arrangements

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

Contractual Obligations

With the exception of the restructuring charge of $9.9 million recorded in the six months ended October 31, 2014, we had no other material changes in contractual obligations as of October 31, 2014, as compared to those disclosed in our table of contractual obligations included in our Annual Report. Of the remaining restructuring liability of $4.2 million as of October 31, 2104, $2.5 million and $1.2 million of severance and facility costs, respectively, will be paid over the next 12 months and $0.5 million of facility costs will be paid over the next four years. (see Note 7 — *Restructuring Charges, Net*).

Critical Accounting Policies

Preparation of this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates and assumptions and changes in the estimates are reported in current operations. In preparing our interim consolidated financial statements and accounting for the underlying transactions and balances, we apply our accounting policies as disclosed in the notes to our consolidated financial statements. We consider the policies related to revenue recognition, performance related bonus, deferred compensation, carrying values of receivables, marketable securities, goodwill, intangible assets, fair value of contingent consideration and recoverability of deferred income taxes as critical to an understanding of our interim consolidated financial statements because their application places the most significant demands on management's judgment. Specific risks for these critical accounting policies are described in our Form 10-K filed with the Securities Exchange Commission. There have been no material changes in our critical accounting policies since fiscal 2014.

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

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

Foreign Currency Risk

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

Transactions denominated in a currency other than the reporting entity's functional currency may give rise to transaction gains and losses that impact our results of operations. Historically, we have not realized significant foreign currency gains or losses on such transactions. Foreign currency losses, on an after tax basis, included in net income were $1.0 million in the six months ended October 31, 2014 compared to foreign currency gains, on an after tax basis, of $0.4 million in the six months ended October 31, 2013.

Our primary exposure to exchange losses or gains is based on outstanding intercompany loan balances denominated in U.S. dollars. If the U.S. dollar strengthened or weakened by 15%, 25% and 35% against the Pound Sterling, the Euro, the Canadian dollar, the Australian dollar and the Yen, our exchange loss or gain for the three months ended October 31, 2014 would have been $3.9 million, $6.4 million and $9.0 million, respectively, based on outstanding balances at October 31, 2014.

Interest Rate Risk

We primarily manage our exposure to fluctuations in interest rates through our regular financing activities, which generally are short term and provide for variable market rates. As of October 31, 2014 and April 30, 2014, we had no outstanding borrowings under our Credit Agreement. We had $72.2 million and $72.9 million of borrowings against the CSV of COLI contracts as of October 31, 2014 and April 30, 2014, respectively, bearing interest primarily at variable rates. The risk of fluctuations in these variable rates is minimized by the fact that we receive a corresponding adjustment to our borrowed funds crediting rate on the CSV on our COLI contracts.

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

(a) Evaluation of Disclosure Controls and Procedures.

Based on their evaluation of our disclosure controls and procedures conducted as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective.

(b) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting during the three months ended October 31, 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II.

Item 1. *Legal Proceedings*

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

Item 1A. *Risk Factors*

In our Form 10-K for the year ended April 30, 2014, we described material risk factors facing our business. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Except as set forth below, as of the date of this report, there have been no material changes to the risk factors described in our Form 10-K.

Risks Related to our Dividend Policy

You may not receive the level of dividends provided for in the dividend policy our Board of Directors has adopted or any dividends at all.

We are not obligated to pay dividends on our common stock. Our Board of Directors adopted a dividend policy on December 8, 2014, that reflects an intention to distribute to our stockholders a regular quarterly cash dividend of $0.10 per share of common stock, commencing at the conclusion of the third quarter of fiscal 2015. However, the declaration and payment of all future dividends to holders of our common stock are subject to the discretion of our Board of Directors, which may amend, revoke or suspend our dividend policy at any time and for any reason, including, earnings, capital requirements, financial conditions, and other factors our Board of Directors may deem relevant. The terms of our indebtedness may also restrict us from paying cash dividends on our common stock under certain circumstances. See below "—Our ability to pay dividends will be restricted by agreements governing our debt, including our credit agreement, and by Delaware law."

Over time, our capital and other cash needs may change significantly from our current needs, which could affect whether we pay dividends and the level of any dividends we may pay in the future. If we were to use borrowings under our credit facility to fund our payment of dividends, we would have less cash and/or borrowing capacity available for future dividends and other purposes, which could negatively affect our financial condition, our results of operations, our liquidity and our ability to maintain and expand our business. Accordingly, you may not receive dividends in the intended amounts, or at all. Any reduction or elimination of dividends may negatively affect the market price of our common stock.

Our ability to pay dividends will be restricted by agreements governing our debt, including our credit agreement, and by Delaware law.

Our credit agreement restricts our ability to pay dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Long-Term Debt" where we describe the terms of our indebtedness, including provisions limiting our ability to declare and pay dividends. As a result of such restrictions, we may be limited in our ability to pay dividends unless we amend our credit agreement or otherwise obtain a waiver from our lenders. In addition, as a result of general economic conditions, conditions in the lending markets, the results of our business or for any other reason, we may elect or be required to amend or refinance our senior credit facility, at or prior to maturity, or enter into additional agreements for indebtedness. Any such amendment, refinancing or additional agreement may contain covenants which could limit in a significant manner or entirely our ability to pay dividends to you.

Additionally, under the Delaware General Corporation Law ("DGCL"), our Board of Directors may not authorize payment of a dividend unless it is either paid out of surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, it is paid out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

If, as a result of these restrictions, we are required to reduce or eliminate the payment of dividends, a decline in the market price or liquidity, or both, of our common stock could result. This may in turn result in losses by you.

Our dividend policy may limit our ability to pursue growth opportunities.

If we pay dividends at the level currently anticipated under our dividend policy, we may not retain a sufficient amount of cash to finance growth opportunities, meet any large unanticipated liquidity requirements or fund our operations in the event of a significant business downturn. In addition, because a significant portion of cash available will be distributed to holders of our common stock under our dividend policy, our ability to pursue any material expansion of our business, including through acquisitions, increased capital spending or other increases of our expenditures, will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at all, or at an acceptable cost. If we are unable to take timely advantage of growth opportunities, our future financial condition and competitive position may be harmed, which in turn may adversely affect the market price of our common stock.

Item 2. *Unregistered Sale of Equity Securities, Use of Proceeds and Issuers Purchases of Equity Securities*

Issuer Purchases of Equity Securities

The following table summarizes common stock repurchased by us during the quarter ended October 31, 2014:

	Shares Purchased (1)	Average Price Paid Per Share	Shares Purchased as Part of Publicly-Announced Programs (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs (2)
August 1, 2014— August 31, 2014	—	$ —	—	$ 24.4 million
September 1, 2014— September 30, 2014	662	$ 25.63	—	$ 24.4 million
October 1, 2014— October 31, 2014	—	$ —	—	$ 24.4 million
Total	662	$ 25.63	—	$ 24.4 million

(1) Represents withholding of a portion of restricted shares to cover taxes on vested restricted shares.
(2) On November 2, 2007, the Board of Directors approved the repurchase of $50 million of our common stock in a common stock repurchase program. The shares can be repurchased in open market transactions or privately negotiated transactions at our discretion.

Under our credit facility, we are permitted to pay up to $50.0 million in dividends in any fiscal year (subject to the satisfaction of certain conditions), which amount is further limited by any shares repurchased and any consideration paid with respect to acquisitions during such fiscal year and requires us to maintain $50.0 million in unrestricted cash and/or marketable securities (excluding any marketable securities that are held in trust for the settlement of the Company's obligation under certain deferred compensation plans) as a condition to consummating permitted acquisitions, paying dividends to our stockholders and repurchasing shares of our common stock.

Item 5. *Other Information*

On December 8, 2014, the Board of Directors adopted a dividend policy, reflecting an intention to distribute to our stockholders a regular quarterly cash dividend of $0.10 per share, commencing at the conclusion of the third quarter of fiscal 2015. The declaration and payment of dividends under the quarterly dividend program will be at the discretion of the Board of Directors and will depend upon many factors, including our earnings, capital requirements, financial conditions, the terms of our indebtedness and other factors our Board of Directors may deem to be relevant. Our Board of Directors may, however, amend, revoke or suspend our dividend policy at any time and for any reason.

In addition, on December 8, 2014, the Board of Directors also approved an increase in the Company's stock repurchase program by $125,641,342.53 to an aggregate of $150,000,000. Common stock may be repurchased from time to time in open market or privately negotiated transactions at the Company's discretion subject to market conditions and other factors.

Item 6. ***Exhibits***

Exhibit Number	Description
10.1	Amended and Restated Korn/Ferry International Executive Capital Accumulation Plan, as of August 13, 2014.
10.2	Summary of Non-Employee Director Compensation Program, effective October 1, 2014.
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a) under the Exchange Act.
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a) under the Exchange Act.
32.1	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

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

KORN/FERRY INTERNATIONAL

By: /s/ Robert P. Rozek
Robert P. Rozek
Executive Vice President and Chief Financial Officer

Date: December 10, 2014

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EXHIBIT INDEX

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31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a) under the Exchange Act.
32.1	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

EXHIBIT 10.1

KORN/FERRY INTERNATIONAL
EXECUTIVE CAPITAL ACCUMULATION PLAN

(as amended and restated August 13, 2014)

1. PURPOSE OF PLAN

The purpose of this Plan is to promote the success of the Company by providing a select group of management and highly compensated employees an opportunity to defer salary and bonuses as an additional means to attract, motivate and retain such employees. Only Eligible Employees (as defined herein) are eligible to participate in this Plan.

2. DEFINITIONS

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

“401(k) Plan” shall mean the Korn/Ferry International Employee Tax Deferred Savings Plan.

“Account” or “Accounts” shall mean a Participant’s Deferral Account and/or Company Contributions Account.

“Annual Company Contribution Subaccount” shall mean a subaccount of a Participant’s Company Contributions Account to which Company Contributions made on behalf of such Participant pursuant to Section 5 with respect to a particular Fiscal Year are allocated.

“Beneficiary” or “Beneficiaries” shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Committee to receive the benefits specified hereunder in the event of the Participant’s death. No beneficiary designation shall become effective until it is filed with the Committee, and no beneficiary designation of someone other than the Participant’s spouse shall be effective unless such designation is consented to by the Participant’s spouse on a form provided by and in accordance with the procedures established by the Committee. If there is no Beneficiary designation in effect, or if there is no surviving designated Beneficiary, then the Participant’s surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant’s estate (which shall include either the Participant’s probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant’s estate duly appointed and acting in that capacity within 90 days after the Participant’s death (or such extended period as the Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant’s death), then “Beneficiary” shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder. In the event any amount is payable under this Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person’s living parent(s) to act as custodian, (b) if that person’s parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

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

"Bonus" shall mean any annual cash incentive compensation payable to a Participant by a Participating Affiliate in addition to the Participant's Salary.

"Change in Control Event" shall mean any of the following:

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

(b) Consummation of a 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 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; or

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

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

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

"Committee" shall mean the Compensation Committee of the Board, which shall administer this Plan in accordance with Section 9.

"Company" shall mean Korn/Ferry International, a Delaware corporation, and any successor corporation.

"Company Contributions" shall mean contributions made by the Company pursuant to Section 5.

"Company Contributions Account" shall mean the bookkeeping account maintained by the Committee for each Participant that is credited with Company Contributions and investment gains or losses thereon.

"Company Matching Contribution" shall mean a Company Contribution made with respect to a Participant's deferrals of Salary or Bonus under this Plan.

"Company Performance Contribution" shall mean a Company Contribution other than a Company Matching Contribution, which may be made on the basis of performance (whether as measured against pre-established criteria or otherwise), or on any other basis whatever.

"Compensation" shall mean the Salary and Bonus that the Participant is entitled to for services rendered to a Participating Affiliate.

"Deferral Account" shall mean the bookkeeping account maintained by the Committee for each Participant that is credited with amounts equal to (1) the portion of the Participant's Salary that he or she elects to defer and invest in the manner described in Section 4, (2) the portion of the Participant's Bonus that he or she elects to defer and invest in the manner described in Section 4, and (3) investment gains or losses thereon.

"Detrimental Activity" with respect to a Participant shall mean that such Participant:

(a) has directly or indirectly engaged in any business for his or her own account that competes with the business of any entity within the Company Group ("Company Group" means the Company, the Subsidiaries, and any affiliate of the Company or a Subsidiary) (a business in competition with any entity within the Company Group includes, without limitation, any business in an industry which any business in the Company Group may conduct business from time to time and any business in an industry which any entity within the Company Group has specific plans to enter in the future and as to which the Participant is aware of such planning); or

(b) has committed or engaged in an unauthorized disclosure or use of inside information, trade secrets or other confidential information, or an unauthorized use of trade names, trademarks, or other proprietary business designations owned or used in connection with the business of any entity within the Company Group; has failed to timely return to the Company in accordance with Company policy all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of any entity within the Company Group; or

(c) has entered the employ of, renders services to, or has acquired a financial interest in any person engaged in any business that competes with the business of any entity within the Company Group; has acted intentionally in a manner injurious to the reputation, business or assets of, any entity within the Company Group; has interfered with business relationships (whether formed before or after the date hereof) between the Company, any Subsidiary, any of their respective affiliates, and any customers, suppliers, officers, employees, partners, members or investors; has influenced or attempted to influence a vendor or customer of any entity within the Company Group, either directly or indirectly, to divert their business away from the Company Group, induced a principal for whom an entity within the Company Group acts as agent to terminate such agency relationship, or induced an employee of any entity within the Company Group who earned $25,000 or more on an annualized basis during the last six months of his or her employment to work for any business, individual, partnership, firm, corporation, or other entity then in competition with the business of any entity within the Company Group.

"Disability" shall mean with respect to a Participant any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, by reason of which impairment the Participant is either unable to engage in any substantial gainful activity or is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's employer.

"Effective Date" shall mean January 1, 2004. This Plan was amended and restated in 2008 to include provisions required under Code Section 409A. The provisions required by Section 409A are effective January 1, 2005; provided, however, that that certain transition rules that may have affected Participants, Beneficiaries and the Company before 2009 are not necessarily reflected in this document.

"Eligible Employee" shall mean any Officer or any employee of a Participating Affiliate who is in the position category of vice president or above and who customarily performs services for 30 or more hours per week for such Participating Affiliate.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

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

"Excluded Person" means

(a) the Company or any Subsidiary;

(b) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act);

(c) any employee benefit plan of the Company or a Subsidiary;

(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.

"Fiscal Year" shall mean the fiscal year of the Company.

"Investment Fund" shall mean one or more of the investment funds or portfolios selected by the Committee pursuant to Section 6.1.

"Officer" shall mean the Chief Executive Officer, Chief Financial Officer, any Executive Vice President and any Vice President of the Company.

"Participant" shall mean any Eligible Employee who is selected for participation in the Plan.

"Participating Affiliate" shall mean the Company and any Subsidiary, which by resolution of its board of directors and with the approval of the Committee, elects to participate in this Plan. By electing to participate in this Plan, a Participating Affiliate agrees to be bound by any Plan amendment adopted by resolution of the Board of Directors or by the written instrument of any person to whom the Board of Directors has delegated its authority to adopt the amendment. If a Participating Affiliate ceases to be a Subsidiary, except by merger with its parent, the employment of each Eligible Employee of the Participating Affiliate shall be deemed to have terminated for purposes of this Plan, except to any extent any such Eligible Employee is required by law to continue to be treated under the Plan as an employee of the Company.

"Plan" shall mean this Korn/Ferry International Executive Capital Accumulation Plan set forth herein, now in effect, or as amended from time to time.

"Plan Year" shall mean the Fiscal Year.

"Salary" shall mean all cash salary and similar payments (other than Bonuses) paid to a Participant for services rendered to a Participating Affiliate before reduction on account of: (1) any withholding such as income taxes (but excluding social security and health insurance taxes) or such other withholding as may be required by the jurisdiction of the Participating Affiliate, and (2) any deferrals under this Plan.

"Subsidiary" shall mean (a) each corporation which is (directly or indirectly) 50% or more owned by the Company, and (b) each entity which is partially owned by the Company and is organized under the laws of a nation other than the United States of America.

“Termination Date” shall mean the date that the Participant’s has a “separation from service,” as defined in Section 409A of the Code, from the Company and its Subsidiaries for any reason.

“Termination For Cause” means a termination of service, based upon a finding by the Company, acting in good faith and based on its reasonable belief at the time, that the Participant:

(a) is or has been dishonest, incompetent, or negligent in the discharge of his or her duties to the Company; or has refused to perform stated or assigned duties; or

(b) has committed a theft or embezzlement, or a breach of confidentiality or unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information, or a breach of fiduciary duty involving personal profit, or a willful or negligent violation of any law, rule or regulation or of Company rules or policy, in any material respect; or has been convicted (including a plea of guilty or nolo contendere) of a felony or misdemeanor (other than minor traffic violations or similar offenses); or

(c) has materially breached any of the provisions of any agreement with the Company or a parent corporation; or

(d) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of the Company; or has induced a customer to break or terminate any contract with the Company or an affiliate; or has induced any principal for whom the Company (or an affiliate) acts as agent to terminate such agency relationship; or

(e) has made a misrepresentation or false statement in any application for employment, employment history, resume or other document submitted to the Company (whether before, during or after employment); or

(f) has engaged in Detrimental Activity.

A Termination For Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Board or Committee) on the date when the Company first delivers notice to the Participant of a finding of Termination For Cause and shall be final in all respects on the date following the opportunity to be heard and written notice to the Participant that his or her service is terminated.

3. PARTICIPATION

The Committee shall select from the class of Eligible Employees those particular Eligible Employees who will be eligible to defer all or a portion of their Compensation in accordance with Section 4. Notwithstanding anything else contained herein to the contrary, the Committee shall limit the class of persons selected to participate in this Plan to a select group of management or highly compensated employees, as set forth in Sections 201, 301 and 401 of ERISA. In order to accomplish the foregoing, the Committee may, at any time and in its sole discretion, terminate the ability of an Eligible Employee or a Participant to defer Compensation (or to defer additional Compensation) under Section 4; provided that such a termination shall not affect deferrals pursuant to any deferral election theretofore made under this Plan.

4. ELECTIONS TO DEFER COMPENSATION

4.1 *General Rule*. Subject to the minimum deferral provisions in Section 4.2 below, the amount of Compensation a Participant may elect to defer is as follows:

(a) Any percentage of Salary up to 90%; and/or

(b) Any percentage of Bonus up to 100%;

provided, however, that no election shall be effective to reduce the Compensation payable to a Participant for a calendar year to an amount which is less than the amount that a Participating Affiliate is required to withhold from such Participant's Compensation for such calendar year for purposes of federal, state and local (if any) income tax, employment tax (including without limitation Federal Insurance Contributions Act (FICA) tax), other tax withholdings and such other withholdings as may be required by the jurisdiction of such Participating Affiliate, and the Participant's contributions to other benefit programs (including but not limited to the 401(k) Plan and any Code Section 125 plan).

4.2 *Minimum Deferrals*. For each Plan Year during which a Participant is eligible to participate in this Plan, the minimum amount that may be elected for deferral under Section 4.1 is $10,000; provided, however, that the Committee may establish a lower minimum with respect to any Salary Deferral Election or Bonus Deferral Election that covers less than a 12-month period.

4.3 *Initial Salary Deferral Election*. An individual who is a Participant as of the Effective Date may elect to defer his or her Salary (a "Salary Deferral Election") by filing an initial election with the Committee, on a form and in a manner prescribed by the Committee, on or before the last business day prior to the Effective Date. Such election shall be effective with respect to Salary paid on or after the first day of the first payroll period commencing on or after the Effective Date. Except as otherwise provided pursuant to Section 4.6, such election shall continue in effect with respect to Salary payable through the end of the calendar year for which the election is made, and except as otherwise provided pursuant to Section 4.6, deferral of Salary for any subsequent calendar year shall require a new Salary Deferral Election pursuant to Section 4.4.

4.4 *Subsequent Salary Deferral Elections*. An Eligible Employee selected in accordance with Section 3 may defer (or may again defer) Salary (provided that he or she is then still eligible to participate in this Plan in accordance with Section 3) by filing an election, on a form and in a manner prescribed by the Committee. Such election must be received by the Committee on or before the date designated by the Committee, which shall not be later than the December 31 preceding the year for which such Salary is to be deferred. Such Salary Deferral Election shall be effective with respect to Salary paid on or after the first day of the first payroll period commencing on or after the following January 1. Except as otherwise provided pursuant to Section 4.6, such election shall continue in effect with respect to Salary payable through the end of the calendar year for which the election is made, and deferral of Salary for any subsequent calendar year shall require a new Salary Deferral Election pursuant to this Section 4.4.

4.5 ***Bonus Deferral Election***. An individual who is or will be a Participant as of the beginning of any Fiscal Year commencing on or after May 1, 2004, may make a Bonus Deferral Election with respect to his or her Bonus for such Fiscal Year by filing an election with the Committee, on a form and in a manner prescribed by the Committee. Such election must be received by the Committee on or before the date designated by the Committee, which shall not be later than the last business day prior to the beginning of such Fiscal Year; provided, however, that with respect to any portion of such Bonus that is "performance-based compensation" within the meaning of Section 409A of the Code and regulations promulgated thereunder, such election must be received by the Committee no later than the date that is six (6) months before the end of the applicable performance period, provided that in no event may an election to defer such performance-based compensation be made after such compensation has become both substantially certain to be paid and readily ascertainable. Except as otherwise provided pursuant to Section 4.6, any such Bonus Deferral Election shall apply only to the Bonus payable with respect to the Fiscal Year for which the election is made, and deferral of Bonus for any subsequent Fiscal Year shall require a new Bonus Deferral Election pursuant to this Section 4.5.

4.6 ***Duration of Salary and Bonus Deferral Elections***. Unless otherwise determined by the Committee and announced in writing to the Participants, any Salary Deferral Election or Bonus Deferral Election shall remain in force only through the applicable periods set forth in Sections 4.3, 4.4 and 4.5. However, at its discretion, the Committee may provide for "evergreen" elections, as described in this Section 4.6. Any such determination to provide evergreen elections shall be announced in writing to Participants. If the Committee provides for evergreen elections as set forth in this Section 4.6, then notwithstanding Sections 4.3, 4.4 and 4.5, any Salary Deferral Election or Bonus Deferral Election made under this Section 4 shall remain in effect, notwithstanding any change in the Participant's Salary or Bonus, as applicable, until changed or terminated in accordance with the terms of this Section 4.6. Subject to the limitations of Section 4.1 and the minimum deferral requirements of Section 4.2, a Participant may increase, decrease or terminate his or her Salary Deferral Election, effective with respect to Salary paid on or after the first day of the first payroll period commencing on or after January 1, by filing a new election, in accordance with the terms of this Section 4 and on a form and in a manner prescribed by the Committee. Such election must be received by the Committee on or before the date designated by the Committee, which shall not be later than the December 31 preceding the year for which such Salary is to be deferred. Subject to the limitations of Section 4.1 and the minimum deferral requirements of Section 4.2, a Participant may increase, decrease or terminate his or her Bonus Deferral Election, effective for any Bonus paid with respect to a Fiscal Year, by filing a new election, in accordance with the terms of this Section 4 and on a form and in a manner prescribed by the Committee. Such election must be received by the Committee on or before the date designated by the Committee, which shall not be later than the last business day prior to the beginning of such Fiscal Year.

4.7 ***Newly Eligible Employees.***

(a) An employee of the Company or a Participating Affiliate who becomes an Eligible Employee at any time after April 1, 2004 and who is selected to participate in this Plan in accordance with Section 3 may elect, on a form and in a manner prescribed by the Committee and no later than thirty (30) days after the date such employee became an Eligible Employee, to make (a) a Salary Deferral Election, which shall be effective with respect to Salary for services rendered on or after the first day of the first payroll period commencing after such election is received by the Committee, and/or (b) a Bonus Deferral Election, which shall be effective with respect to a prorated portion of any Bonus earned for services rendered during the Plan Year in which such election is made, the maximum amount of such prorated portion to be determined by the Company and which shall not exceed the amount determined by multiplying (i) the total Bonus earned for such Plan Year, by (ii) a fraction, the numerator of which shall be the number of whole months remaining in the Plan Year after the date the election is filed with the Committee, and the denominator of which shall be 12; provided, however, that the entire amount of such Bonus may be deferred (subject to Section 4.1) if such Bonus is "performance-based compensation" within the meaning of Section 409A of the Code and regulations promulgated thereunder and such Bonus Deferral Election otherwise satisfies the applicable requirements set forth in Section 4.5.

(b) Except as otherwise provided in Section 4.6, any Salary Deferral Election filed pursuant to this Section 4.7 shall continue in effect with respect to Salary payable through the end of the calendar year for which the election is made, and except as otherwise provided pursuant to Section 4.6, deferral of Salary for any subsequent calendar year shall require a new Salary Deferral Election pursuant to Section 4.4. Except as otherwise provided pursuant to Section 4.6, any Bonus Deferral Election filed pursuant to this Section 4.7 shall apply only to the Bonus payable with respect to the Fiscal Year for which the election is made, and except as otherwise provided pursuant to Section 4.6, deferral of Bonus for any subsequent Fiscal Year shall require a new Bonus Deferral Election pursuant to Section 4.5.

5. COMPANY CONTRIBUTIONS

5.1 ***Company Contributions***. At the conclusion of each Fiscal Year, the Committee may determine, in its sole and complete discretion, to credit additional amounts to one or more Participants' Company Contributions Accounts under this Plan. Any amounts credited under this Section 5.1 need not be made to all Participants' Accounts, and such additional amounts as are credited, if any, need not be credited in equal amounts or percentages. The Committee shall have sole and complete discretion in determining the basis for the crediting of additional amounts under this Section 5.1, including, without limitation, the authority to award such amounts on an individual or group basis and/or as a Company Matching Contribution or a Company Performance Contribution. Any amount credited pursuant to this Section 5.1 with respect to a Fiscal Year shall be credited to the Participant's Company Contributions Account as of the date or dates determined by the Committee. Nothing contained in this Section 5.1 shall be deemed to impose or constitute any obligation on the Committee, the Company or any Subsidiary to make any credit hereunder.

Notwithstanding the foregoing provisions, in connection with an express written agreement between the Company and a Participant, the Committee may credit such Participant's Company Contributions Account with the amount of a contribution made by the Company pursuant to this Section 5.1 as of any date selected by the Company. For all purposes under this Plan, any such contribution shall be deemed to relate to the Fiscal Year in which the date selected by the Company occurs.

5.2 ***Annual Company Contribution Subaccounts***. Company Contributions made to a Participant's Account pursuant to Section 5.1 with respect to a Fiscal Year shall be allocated to a separate Annual Company Contribution Subaccount. Such subaccounts shall be maintained for purposes of determining the Participant's vested interest in such contributions as provided under Section 7.

5.3 ***Forfeiture; Detrimental Activity***. A Participant's rights with respect to any Company Contribution and any investment return credited thereto, whether vested or unvested, shall terminate, become null and void, and be immediately forfeited if (i) the Participant's employment ends as a result of a Termination for Cause, or (ii) the Participant engages in any Detrimental Activity, whether before or within the one-year period after his or her employment or services with the Company (or a Subsidiary) terminates. In the event that the Committee determines that a Participant has engaged in Detrimental Activity at any time during his or her employment by the Company or a Subsidiary or within the one-year period following his or her Termination Date, any amounts distributed at any time to such Participant with respect to any Company Contribution (and any investment return credited thereto) shall be immediately refunded to the Company (or Subsidiary) by the Participant or the Participant's Beneficiary. Determinations of whether (i) a Participant's employment has ended as a result of a Termination for Cause, and (ii) a Participant has engaged in Detrimental Activity shall be made by the Committee in its sole discretion.

6. INVESTMENT OF ACCOUNTS

6.1 ***Investment Funds***. Effective as of the date established by the Committee, separate Investment Funds shall be established under this Plan. The Committee may, in its discretion, terminate any Investment Fund. The Committee shall determine the number of Investment Funds, and the Committee or its delegate shall determine the investments to be made under the Investment Funds.

6.2 ***Investment Elections***. Pursuant to rules established by the Committee, each Participant shall have the right and obligation to designate in which of the Investment Funds his or her Accounts will be deemed to be invested for purposes of determining the investment gain (or loss) to be credited to his or her Accounts. A Participant may change the designation made under this Section 6.2 and/or transfer an amount deemed to be invested in one Investment Fund to another Investment Fund (subject to such rules as the Committee may adopt) on any business day pursuant to procedures established by the Committee. The Committee may restrict the frequency by which Participants are permitted to make changes to their designations of Investment Funds and may establish rules regarding the timing and effectiveness of such elections. If a Participant does not make an election with respect to the investment of his or her Account, the Participant shall be deemed to have elected the short term interest fund or the fund closest thereto. The Committee may establish other rules, regulations and procedures regarding the Investment Funds as it deems appropriate in its sole discretion.

7. VESTING.

7.1 ***Deferral Account***. A Participant's Deferral Account shall be 100% vested and nonforfeitable at all times.

7.2 ***Company Contributions Account***. The interest of each Participant in amounts credited to his or her Company Contributions Account shall vest and become nonforfeitable as follows:

(a) If a Participant's employment with the Company and all Subsidiaries terminates due to the Participant's death or Disability, such Participant shall become 100% vested in all amounts in his or her Company Contributions Account as of the date of such termination.

(b) Except as otherwise provided in this Section 7.2, for Company Contributions approved on or after July 1, 2013, a Participant shall become vested in each Annual Company Contribution Subaccount in accordance with the schedule determined by the Committee; it is expected that such schedule shall provide:

- 25% as of approximately one month following the first anniversary of the date on which the Committee approves the applicable Company Contribution;
- 50% as of approximately the second anniversary of the date on which the Committee approves the applicable Company Contribution;
- 75% as of approximately the third anniversary of the date on which the Committee approves the applicable Company Contribution; and
- 100% as of approximately the fourth anniversary of the date on which the Committee approves the applicable Company Contribution.

For Company Contributions approved prior to January 1, 2014, a Participant shall become vested in each Annual Company Contribution Subaccount in accordance with the schedule determined by the Company upon approval of such contribution.

(c) If a Participant retires with a Termination Date on or after attaining age 65, the Company may, in its discretion, enter into an agreement under which such Participant may, by refraining from engaging any Detrimental Activity, continue to vest in any portion of the Participant's Annual Company Contribution Subaccount(s) that was not vested as of such

Termination Date. Notwithstanding the foregoing, such vesting following a Termination Date shall not apply to any Participant with a Termination Date before January 1, 2009, and shall not apply to the extent a vesting schedule under Section 7.2(e) provides that such vesting shall not apply. Any amount that becomes vested under this Section 7.2(c) following a Participant's Termination Date (i) shall be distributed as soon as administratively feasible following vesting if the Participant had elected the lump sum distribution option, or (ii) shall be added on a pro-rata basis to each remaining installment payment if the Participant had elected installment payments. If a Participant referred to in this Section 7.2(c) engages in Detrimental Activity at any time, any unpaid portion of the Participant's Annual Company Contribution Subaccount(s) that had not been paid as of the first instance of engaging in such Detrimental Activity shall be forfeited, regardless of whether such portion had previously become vested.

(d) The Board or the Committee may, in its sole discretion, accelerate vesting for a Participant who terminates employment for reasons other than death or Disability prior to attaining age 65.

(e) The Board or the Committee may, in its sole discretion, for any Participant or group of Participants, establish a vesting schedule different from that set forth in Section 7.2(b) above with respect to any Company Contributions; provided, however, that any such alternative vesting schedule shall be set forth in writing.

Unless otherwise expressly provided in this Section 7.2, the Participant shall forfeit any amounts credited to his or her Company Contributions Account upon the termination of his or her employment with the Company and all Subsidiaries to the extent that such amounts have not vested as of the date of such termination of employment.

8. DISTRIBUTION OF BENEFITS

8.1 ***Commencement of Distributions***. At the time of making a Salary and/or Bonus Deferral Election pursuant to Section 4, the Participant shall designate, on a form and in a manner prescribed by the Committee, the time at which the Salary and/or Bonus deferred by the Participant with respect to such deferrals (adjusted for earnings and losses thereon) shall be paid. Any Company Matching Contribution made with respect to such deferrals shall be paid at the same time and in the same form as such deferrals are paid in accordance with this Section 8; provided, however, that any portion of such Company Matching Contribution that has not vested as of the date such deferrals are paid shall be paid on or as soon as practicable after the date (if any) such portion becomes vested pursuant to Section 7.2.

With respect to deferrals of Salary, the Participant may choose either one of the following payment dates (or, if installments are elected, payment commencement dates):

(a) On or as soon as administratively practicable after the Participant's Termination Date, or

(b) On or as soon as administratively practicable after the earlier of (i) the Participant's Termination Date or (ii) the date selected by the Participant which is at least three (3) years following the end of the calendar year during which the Salary was earned (an "in-service distribution date").

With respect to deferrals of Bonuses, the Participant may choose either one of the following payment dates (or, if installments are elected, payment commencement dates):

(c) On or as soon as administratively practicable after the Participant's Termination Date, or

(d) On or as soon as administratively practicable after the earlier of (i) the Participant's Termination Date or (ii) the date selected by the Participant which is at least three (3) years following the end of the Fiscal Year with respect to which the Bonus was awarded (an "in-service distribution date").

If the Participant does not make such an election, the Participant shall be deemed to have elected payment on or as soon as administratively practicable after the Participant's Termination Date. A Participant may make only one payment election for all Compensation deferred pursuant to any Salary or Bonus Deferral Election.

A Participant may elect as many different in-service distribution dates as desired for his or her Salary and Bonus deferrals under the Plan. A Participant who elects one or more in-service distribution dates may elect the same in-service distribution date or dates for subsequent Salary and Bonus deferrals. If the in-service distribution date selected by a Participant with respect to any Compensation deferred does not satisfy the requirements of subsections (b)(ii) or (d)(ii) above, then the Participant will be deemed to have elected the next in-service distribution date that satisfies such requirements. The Committee, in its discretion, may limit the available in-service distribution dates to a specific date or specific dates (such as the first day of a month or quarter); such discretion may be exercised (among other means) by limiting the available in-service distribution dates on the election forms to be used by Participants.

A Participant may change his or her in-service distribution date elected under Section 8.1(b)(ii) or 8.1(d)(ii) to a later date (but not an earlier date) or the Participant may change his or her election to a Termination Date distribution; provided (1) that such a change election must be filed with the Committee at least one year prior to the original in-service distribution date, (2) that such a change election will not be effective until at least one year after the date on which the election is made, (3) that, except in the case of elections related to distributions on account of death, Disability or Unforeseeable Emergency, such a change election shall defer the payment date (or payment commencement date) to a date that is not less than five years from the date such payment would otherwise have been made (or commenced), (4) that such a change election must be made on a form and in a manner prescribed by the Committee, and (5) that a Participant may make only one such change with respect to Compensation deferred pursuant to any Salary or Bonus Deferral Election.

Notwithstanding any other provision of this Plan, a Participant who is a “specified employee” (as such term is defined in Section 409A(a)(2)(B)(i) of the Code) shall not receive any distribution made pursuant to a termination of such Participant’s employment or services with the Company and its Subsidiaries before the date that is six months after such Participant’s Termination Date (or, if earlier, the date of the Participant’s death).

8.2 ***Form of Distributions***. At the time of making a Salary and/or Bonus Deferral Election pursuant to Section 4, each Participant shall designate, on a form and in a manner prescribed by the Committee, the manner in which such benefits shall be paid.

If the Participant elects a payment date under Sections 8.1(a) or (c) above, the Participant may elect one of the following payment forms:

(a) A lump sum payment;

(b) Substantially equal quarterly installments over five years;

(c) Substantially equal quarterly installments over a period of ten years; or

(d) Substantially equal quarterly installments over a period of fifteen years;

provided, however, that the Participant may not elect more than two of the foregoing payment forms with respect to all of his or her distributions under the Plan pursuant to such payment date election(s).

If the Participant elects a payment date under Sections 8.1(b) or (d) above, the Participant may elect one of the following payment forms:

(e) A lump sum payment; or

(f) Substantially equal quarterly installments over five years;

provided, however, that the Participant may not elect more than one of the foregoing payment forms with respect to all of his or her distributions under the Plan pursuant to each such payment date election.

The Committee, in its discretion, may permit an election of monthly installment payments, if a Participant’s monthly payments would be at least $1,000, and may permit elections of other payout periods, provided that no payout period shall be more than fifteen years. If the Participant fails to specify a payment form as provided in this Section 8.2, the Participant shall be deemed to have elected payment in substantially equal quarterly installments over five years unless the Committee otherwise provides. The initial installment of any series of installments shall be made as soon as administratively practicable following the Participant’s Termination Date or in-service distribution date, as applicable. The Committee, in its discretion, may limit the available quarterly distribution dates to a specific date or specific dates (such as the first day of a month or quarter); such discretion may be exercised (among other means) by limiting the available quarterly distribution dates on the election forms to be used by Participants.

Subject to the following provisions in this paragraph and Section 8.3, no changes may be made to a payment election under this Section 8.2 after such election is filed. A Participant may change his or her form of payment election (for example, from a lump sum to installments), provided (1) that such a change election must be filed with the Committee at least one year prior to the date distributions would commence (i.e. the Participant's Termination Date or in-service distribution date, as applicable), (2) that such a change election will not be effective until at least one year after the date on which the election is made, (3) that, except in the case of elections related to distributions on account of death, Disability or Unforeseeable Emergency, such a change election shall include a deferral of the payment date (or payment commencement date) to a date that is not less than five years from the date such payment would otherwise have been made (or commenced), (4) that such a change election must be made on a form and in a manner prescribed by the Committee, and (5) that a Participant may make only one such change with respect to Compensation deferred pursuant to any Salary or Bonus Deferral Election.

8.3 ***Company Performance Contributions***. No later than (i) thirty (30) days after the crediting of a Company Performance Contribution to a Participant's Account pursuant to Section 5 is approved by the Committee and (ii) twelve (12) months prior to the date that any portion of such Company Performance Contribution becomes vested, the Participant shall designate, on a form and in a manner prescribed by the Committee, the time or times at which such Company Contributions and any related earnings thereon will be paid and the form of any such payment. Such election shall be made in accordance with and subject to the requirements set forth in Sections 8.1 and 8.2. For Company Performance Contributions approved before January 1, 2014, if the Participant elects an in-service distribution date, such date shall be the first business day selected by the Participant which occurs after the date such Company Performance Contribution becomes fully vested pursuant to Section 7.2. For Company Performance Contributions approved on or after January 1, 2014, the Participant may elect separate in-service distribution dates for each installment of such Company Performance Contribution as such installment becomes vested; each such date shall be the first business day selected by the Participant which occurs after the date such installment becomes vested. If a Participant is credited with a Company Performance Contribution and does not timely make a distribution election under this Section 8.3, the Participant shall be deemed to have elected payment in a lump sum commencing on the first business day of a fiscal quarter as soon as administratively practicable following the Participant's Termination Date.

8.4 ***Withdrawals for Unforeseeable Emergencies***. A Participant (or former Participant) may request a distribution from his or her Deferral Account for an Unforeseeable Emergency (as defined below) without penalty. Such distribution for an Unforeseeable Emergency shall be subject to approval by the Committee and may be made only to the extent necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution) and only from amounts credited to the Participant's Deferral Account. A distribution for an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved (1) through reimbursement or compensation by insurance or otherwise, (2) by liquidation of the Participant's (or Beneficiary's) assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (3) by cessation of deferrals under this Plan.

The Committee may require that the Participant (or Beneficiary) provide a written representation that any such distribution satisfies the requirements set forth in this Section 8.4. Notwithstanding the foregoing, a Participant may receive a distribution for an Unforeseeable Emergency under this Plan prior to a hardship withdrawal under any plan described in Section 401(k) of the Code.

For purposes of this Section 8.4, an "Unforeseeable Emergency" shall mean a severe financial hardship of the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. (For purposes of this definition, the term "Participant" shall include the Participant's Beneficiary in the event of the Participant's death.) The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case. The purchase of a home and the payment of college tuition would typically not be considered to be Unforeseeable Emergencies.

8.5 ***Section 162(m)***. Notwithstanding anything in this Section 8 to the contrary, if the Committee determines in good faith that there is a reasonable likelihood that any benefits paid to a Participant for a taxable year of the Company would not be deductible by the Company solely by reason of the limitation under Section 162(m) of the Code, then, to the extent reasonably deemed necessary by the Committee to ensure that the entire amount of any distribution to the Participant pursuant to this Plan is deductible, the Committee may defer all or any portion of a distribution under this Plan. The amounts so deferred shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Committee in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Company during which the distribution is made will not be limited by Section 162(m) of the Code.

8.6 ***Inability to Locate Participant***. In the event that the Committee is unable to locate a Participant or Beneficiary within two years following the Participant's Termination Date, or if later, within two years following the date on which benefits hereunder are to commence, the amount allocated to the Participant's Accounts shall be forfeited. If, within the six-year period following the date of such forfeiture, the Participant or Beneficiary later claims such benefits, such benefits shall be reinstated without interest. Benefits forfeited pursuant to this Section 8.6 shall not be reinstated under any circumstances if the Committee does not receive a claim to such benefits within the six-year period following the date of forfeiture.

8.7 ***Distributions on Death***. In the event of a termination of the Participant's employment or services with the Company and its Affiliates due to the Participant's death, the Participant's Account shall be paid to the Participant's Beneficiary in a lump sum during the calendar quarter following the quarter in which the Committee receives notice satisfactory to it of the Participant's death. In the event that a Participant or former Participant dies after his or her Termination Date and before his or her entire Account balance has been paid out, the balance of the Participant's Account shall be paid to the Participant's Beneficiary, in the form of a lump sum payment, as soon as administratively practicable.

8.8 ***Liability for Payment***. Notwithstanding anything else in this Plan to the contrary: (1) a Participant's benefits with respect to this Plan shall be paid by the Participating Affiliate to whose employment of the Participant such benefits relate, and (2) a Participant shall have no right or claim to Plan benefits from any other Participating Affiliate other than the employer referenced in the foregoing clause.

8.9 ***Legislation or Regulations***. Any provision of this Section 8 with respect to distributions to a Participant shall become null and void in the event that any legislation or regulations applicable to benefits under this Plan is adopted that would require such Participant to be immediately subject to federal income tax for amounts of Compensation deferred under Section 4.1 above. The remaining provisions of this Plan shall continue in effect.

9. PLAN ADMINISTRATION

9.1 ***Committee***. The Committee shall be appointed as set forth in the Company's governing documents.

9.2 ***Committee Action***. The Committee shall act at meetings by affirmative vote of a majority of the members of the Committee. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by a majority of the members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of the Committee shall not vote or act upon any matter which relates solely to himself or herself as an Participant. The Chairman or any other member or members of the Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee.

9.3 ***Powers and Duties of the Committee***. The Committee, on behalf of the Participants and their Beneficiaries, shall enforce this Plan in accordance with its terms, shall be charged with the general administration of this Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

(a) To construe and interpret the terms and provisions of this Plan and to make factual determinations hereunder;

(b) To compute and certify the amount and kind of benefits payable to Participants and their Beneficiaries, and to determine the time and manner in which such benefits are paid;

(c) To maintain all records that may be necessary for the administration of this Plan;

(d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;

(e) To make and publish such rules for the regulation of this Plan and procedures for the administration of this Plan as are not inconsistent with the terms hereof;

(f) To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of this Plan as the Committee may from time to time prescribe (including but not limited to the power to approve the designation of Subsidiaries as Participating Affiliates under this Plan); and

(g) To require or permit Participant (or Beneficiary, as the context may require) elections and/or consents under this Plan to be made by means of such electronic media as the Committee may prescribe.

9.4 ***Construction and Interpretation***. Prior to a Change in Control Event, the Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, which interpretation or construction shall be final and binding on all parties, including but not limited to the Company and any Participant or Beneficiary. Any interpretation, construction or determination made after a Change in Control Event shall be subject to judicial review on a *de novo* basis. The Committee shall administer the terms and provisions of this Plan in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to this Plan.

9.5 ***Compensation, Expenses and Indemnity***. The members of the Committee shall serve without compensation for their services hereunder. Expenses and fees in connection with the administration of this Plan shall be paid by the Company. The Committee is authorized at the expense of the Company to employ such legal counsel as it may deem advisable to assist in the performance of its duties hereunder. To the extent permitted by applicable state law, the Company shall indemnify and save harmless the Committee and each member thereof, the Board of Directors and any delegate of the Committee who is an employee of a Participating Affiliate against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to this Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Participating Affiliate or provided by the Participating Affiliate under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

9.6 ***Quarterly Statements***. Under procedures established by the Committee, a Participant shall receive a statement with respect to such Participant's Accounts on a quarterly basis as of each January 31, April 30, July 31 and October 31.

10. MISCELLANEOUS

10.1 ***Unsecured General Creditor***. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of any Participating Affiliate. No assets of any Participating Affiliate shall be held under any trust or held in any way as collateral security for the fulfilling of the obligations of any Participating Affiliate. Any and all of each Participating Affiliate's assets shall be, and remain, the general unpledged, unrestricted assets of the Participating Affiliate. Each Participating Affiliate's obligations under this Plan shall be merely that of an unfunded and unsecured promise of the Participating Affiliate to pay money in the future to those persons to whom the Participating Affiliate has a benefit obligation under this Plan (as determined in accordance with the terms hereof including, without limitation, Section 8.8), and the respective rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

10.2 ***Restriction Against Assignment***. The respective Participating Affiliate shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

10.3 ***Tax Withholding***. The Company (or the Subsidiary by which the Participant is employed) may satisfy any state or federal employment tax withholding obligation, or such other withholding obligation as required by the Company's (or Subsidiary's) jurisdiction, with respect to Compensation deferred under this Plan by deducting such amounts from any compensation payable by the Company (or a Subsidiary) to the Participant. There shall be deducted from each payment or distribution made under this Plan, or any other compensation payable to the Participant (or Beneficiary), all taxes which are required to be withheld by the Company (or a Subsidiary) in respect to such payment or distribution or this Plan. If the Company, for any reason, elects not to (or cannot) satisfy the withholding obligation from the amounts otherwise payable under this Plan, the Participant shall pay or provide for payment in cash of the amount of any taxes which the Company (or a Subsidiary) may be required to withhold with respect to the benefits hereunder.

10.4 ***Amendment, Modification, Suspension or Termination***. The Board or the Committee may amend, modify, suspend or terminate this Plan in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts or accelerate or defer the timing of any distributions under this Plan as provided in Section 8. A Participating

Affiliate may elect to terminate its status as such at any time and, in such event, such termination shall not affect the Participating Affiliate's obligations under this Plan with respect to amounts previously credited and/or deferred under this Plan (including earnings thereon) for which the Participating Affiliate is liable.

10.5 ***Governing Law; Severability***. This Plan shall be construed, governed and administered in accordance with the laws of the State of Delaware. If any provisions 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. To the extent that the Plan is subject to Section 409A of the Code, the Plan shall be construed and interpreted to the maximum extent reasonably possible to avoid the imputation of any tax, penalty or interest pursuant to Section 409A. The Company reserves the right to amend the Plan to the extent it reasonably determines is necessary in order to preserve the intended tax consequences of deferrals made under the Plan in light of Section 409A and any regulations or other guidance promulgated thereunder.

10.6 ***Receipt or Release***. Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee, the Company and the Subsidiaries. The Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.7 ***Payment on Behalf of Persons Under Incapacity***. In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Committee, the Company and the Subsidiaries.

10.8 ***No Right to Employment***. Participation in this Plan shall not give any person the right to continued employment or service or any rights or interests other than as expressly provided herein. No Participant shall have any right to any payment or benefit hereunder except to the extent provided in this Plan.

10.9 ***Titles and Headings***. Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

10.10 ***Claims Procedure***. A person who believes that he or she is being denied a benefit to which he or she is entitled under this Plan (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee, setting forth his or her claim. The request must be addressed to the Committee at the Company's then principal executive offices.

Upon receipt of a claim, the Committee shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Committee may, however, extend the reply period for an additional ninety (90) days for special circumstances. If the claim is denied in whole or in part, the

Committee shall inform the Claimant in writing, using language calculated to be understood by the Claimant, setting forth: (i) the specified reason or reasons for such denial, (ii) the specific reference to pertinent provisions of this Plan on which such denial is based, (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary, (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, and (v) the time limits for requesting a review set forth below.

Within sixty (60) days after the receipt by the Claimant of the written reply described above, the Claimant may request in writing that the Committee review its determination. Such request must be addressed to the Committee at the Company's then principal executive offices. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Committee. If the Claimant does not request a review within such sixty (60) day period, he or she shall be barred and estopped from challenging the Committee's determination.

Within sixty (60) days after the Committee's receipt of a request for review, after considering all materials presented by the Claimant, the Committee will inform the Claimant in writing, in manner calculated to be understood by the Claimant, of its decision setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Plan on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

10.11 ***Arbitration***. Any dispute regarding the Plan shall be submitted to mandatory, binding arbitration. A Claimant must exhaust the claims procedure set forth in Section 10.10 as a condition of commencing arbitration. If a civil action concerning the Plan has been brought, the Company and the Claimant shall take such actions as are necessary or appropriate, including dismissal of the civil action, so that the arbitration can be timely heard. Once arbitration is commenced, it may not be discontinued without the unanimous consent of all parties to the arbitration.

Any claim for arbitration may be submitted as follows: if the Claimant disagrees with an interpretation of this Plan by the Company or any fiduciary of this Plan, or disagrees with the calculation of his or her benefit under this Plan, such claim may, after exhaustion of the claims procedure set forth in Section 10.10, be filed in writing with an arbitrator of the Claimant's choice who is selected by the method described in the next four sentences. The first step of the selection shall consist of the Claimant submitting in writing a list of five potential arbitrators to the Company. Each of the five potential arbitrators must be either (i) a member of the National Academy of Arbitrators located in the state of California or, if the Claimant is a resident of the United States, the state of the Claimant's residence or (ii) a retired California Superior Court or Appellate Court judge. Within ten business days after receipt of the list, the Company shall select one of the five arbitrators as the arbitrator of the dispute in question. If the Company fails to select an arbitrator in a timely manner, the Claimant then shall designate one of the five arbitrators as the arbitrator of the dispute in question.

The arbitration hearing shall be held within thirty days (or as soon thereafter as possible) after the selection of the arbitrator. No continuance of said hearing shall be allowed without the mutual consent of the Claimant and the Company. Absence from or non-participation at the hearing by any party shall not prevent the issuance of an award. Hearing procedures that will expedite the hearing may be ordered at the arbitrator's discretion, and the arbitrator may close the hearing in his sole discretion when he or she decides he or she has heard sufficient evidence to justify issuance of an award. The arbitrator shall apply the same standard of review referred to in Section 9.4 as would be applied by a court of proper jurisdiction. Accordingly, with respect to any interpretation, construction or determination by the Committee prior to a Change in Control Event, the arbitrator shall not apply a de novo standard of review in reviewing the decision rendered through the claims procedure but rather shall review the Committee's interpretation, construction or determination under an abuse of discretion standard, and with respect to any interpretation, construction or determination by the Committee upon and after a Change in Control Event, the arbitrator shall apply a de novo standard of review.

The arbitrator's award shall be rendered as expeditiously as possible and in no event later than one week after the close of the hearing. In the event the arbitrator finds that the Claimant is entitled to the benefits he or she claimed, the arbitrator shall order the Company to pay or deliver such benefits, in the amounts and at such time as the arbitrator determines. The award of the arbitrator shall be final and binding on the parties. The Company shall thereupon pay or deliver to the Claimant immediately the amount that the arbitrator orders to be paid or delivered in the manner described in the award. The award may be enforced in any appropriate court as soon as possible after its rendition. If any action is brought to confirm the award, no appeal shall be taken by any party from any decision rendered in such action.

If a Change in Control Event has occurred and the arbitrator determines that the Claimant is entitled to the claimed benefits, the arbitrator shall direct the Company to pay to the Claimant, and the Company shall pay to the Claimant in accordance with such order, an amount equal to the Claimant's expenses in pursuing the claim, including attorneys' fees.

IN WITNESS WHEREOF, the Company has caused this amended and restated document to be executed by its duly authorized officer effective as of August 13, 2014.

KORN/FERRY INTERNATIONAL

By:	/s/ Mark Neal
Print Name:	Mark Neal
Its:	SVP, Finance & Controller

KORN/FERRY INTERNATIONAL

EXECUTIVE CAPITAL ACCUMULATION PLAN

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EXHIBIT 10.2

SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

Annual Retainer	$ 65,000(1)
Annual Equity Award	$120,000(2)
Chair of the Board	$120,000
Committee Annual Cash Retainers:	
Audit Committee Chair	$ 15,000
Audit Committee Member	$ 5,000
Compensation and Personnel Committee Chair	$ 15,000
Nominating and Corporate Governance Committee Chair	$ 10,000

(1) The annual retainer is payable in cash or restricted stock units, at the election of the non-employee director.
(2) The annual equity award is payable in the form of restricted stock units.

EXHIBIT 31.1

CERTIFICATIONS

I, Gary D. Burnison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Korn/Ferry International;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ GARY D. BURNISON
Name: **Gary D. Burnison**
Title: **Chief Executive Officer and President**

Date: December 10, 2014

EXHIBIT 31.2

CERTIFICATIONS

I, Robert P. Rozek, certify that:

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

By: /s/ ROBERT P. ROZEK
Name: **Robert P. Rozek**
Title: **Executive Vice President and Chief Financial Officer**

Date: December 10, 2014

EXHIBIT 32.1

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

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

(a) the Quarterly Report on Form 10-Q for the quarter ended October 31, 2014 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: December 10, 2014

By: /s/ GARY D. BURNISON
Name: **Gary D. Burnison**
Title: **Chief Executive Officer and President**

By: /s/ ROBERT P. ROZEK
Name: **Robert P. Rozek**
Title: **Executive Vice President and Chief Financial Officer**