

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 16, 1998

REGISTRATION NO. 333-61697

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

KORN/FERRY INTERNATIONAL
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

CALIFORNIA (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	7361 (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	95-2623879 (I.R.S. EMPLOYER IDENTIFICATION NO.)
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1800 CENTURY PARK EAST, SUITE 900
LOS ANGELES, CALIFORNIA 90067
(310) 552-1834
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICE)

PETER L. DUNN
1800 CENTURY PARK EAST, SUITE 900
LOS ANGELES, CALIFORNIA 90067
(310) 843-4100
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box.

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following
box and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c)

under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
+ANY SUCH STATE. +
+++++

SUBJECT TO COMPLETION, DATED OCTOBER 16, 1998

Shares

[LOGO OF KORN/FERRY INTERNATIONAL]

Common Stock
(no par value)

Of the shares of Common Stock ("Common Stock") offered hereby, shares are being sold by Korn/Ferry International (the "Company") and shares are being sold by the Selling Shareholders named herein under "Principal and Selling Shareholders" (the "Selling Shareholders"). Of the shares of Common Stock being offered, shares are initially being offered in the United States and Canada (the "U.S. Shares") by the U.S. Underwriters (the "U.S. Offering") and shares are initially being concurrently offered outside the United States and Canada (the "International Shares") by the Managers (the "International Offering" and, together with the U.S. Offering, the "Offering"). The offering price and underwriting discounts and commissions of the U.S. Offering and the International Offering are identical.

Prior to the Offering, there has been no public market for the Common Stock. It is anticipated that the initial public offering price will be between \$ and \$ per share. For information relating to the factors to be considered in determining the initial offering price to the public, see "Underwriting." Application will be made to list the Common Stock on the New York Stock Exchange under the symbol "KFY."

FOR A DISCUSSION OF MATERIAL RISKS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE COMMON STOCK, SEE "RISK FACTORS" ON PAGE 9 HEREIN.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)	PROCEEDS TO SELLING SHAREHOLDERS
Per Share.....	\$	\$	\$	\$
Total (3).....	\$	\$	\$	\$

- (1) The Company has agreed to indemnify the U.S. Underwriters and the Managers against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."
- (2) Before deduction of expenses payable by the Company estimated at \$.
- (3) The Company has granted the U.S. Underwriters and the Managers an option, exercisable by Credit Suisse First Boston Corporation for 30 days from the date of this Prospectus, to purchase a maximum of additional shares to cover over-allotments of shares. If the option is exercised in full, the total Price to Public will be \$, Underwriting Discounts and Commissions will be \$ and Proceeds to Company will be \$.

The U.S. Shares are offered by the several U.S. Underwriters when, as and if delivered to and accepted by the U.S. Underwriters and subject to their right to reject orders in whole or in part. It is expected that the U.S. Shares will be ready for delivery on or about , 1998, against payment in immediately available funds.

CREDIT SUISSE FIRST BOSTON

DONALDSON, LUFKIN & JENRETTE

PAINWEBBER INCORPORATED

Prospectus dated , 1998.

[Graphics with globe and a list of the offices of Korn/Ferry International in each of the cities in which it operates, plus selected Futurestep screens.]

The Company holds a number of U.S. registered and common law trademarks, as well as non-U.S. registered trademarks, which are used throughout this Prospectus. The Company has registered the following marks, among others, with the U.S. Patent and Trademark Office: "KF" and "Korn/Ferry International." Korn/Ferry International Futurestep, Inc., a subsidiary of Korn/Ferry International, has a pending trademark application with the U.S. Patent and Trademark Office for "Futurestep." In addition, a number of federally registered trademarks are used throughout this Prospectus that are not owned by the Company.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SECURITIES OFFERED HEREBY, INCLUDING OVER-ALLOTMENT, STABILIZING TRANSACTIONS, SYNDICATE SHORT COVERING TRANSACTIONS AND PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary information is qualified in its entirety by the more detailed information, including "Risk Factors" and the Company's Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus (i) gives effect to the filing of an amendment of the Company's existing Articles of Incorporation that increases the Company's authorized capital stock and implements the four-to-one split of the Company's outstanding Common Stock that will occur prior to the consummation of the Offering, (ii) assumes no exercise of the over-allotment option granted to the U.S. Underwriters and the Managers as described in "Underwriting" and (iii) assumes an initial public offering

price of \$ per share of Common Stock, the midpoint of the range set forth on the cover of this Prospectus. Unless the context otherwise requires, all references to the "Company" and "Korn/Ferry" refer to Korn/Ferry International and its consolidated subsidiaries and affiliates. All references to "Futurestep" refer to Korn/Ferry International Futurestep, Inc., a subsidiary of the Company, or the Internet-based search service offered by the Company through that subsidiary. The Company's fiscal year ends on April 30 of each calendar year.

THE COMPANY

OVERVIEW

Korn/Ferry International is the world's largest executive search firm and has the broadest global presence in the industry with 384 consultants based in 71 offices across 41 countries. The Company's premier global reputation, strong client relationships, senior-level search expertise, innovation and technological leadership provide Korn/Ferry with distinct competitive advantages. According to Kennedy Information, a leading information provider on the executive search industry, the Company has ranked first in revenues in the executive search industry for the last 19 years. Since fiscal 1993, the Company has generated compound annual revenue growth of 23%. In fiscal 1998, the Company had total revenues of \$315.0 million and performed over 5,870 assignments for more than 3,750 clients, including approximately 43% of the Fortune 500. Korn/Ferry's clients are many of the world's largest and most prestigious public and private companies, middle-market and emerging growth companies as well as governmental and not-for-profit organizations. Almost half of the searches performed by the Company in fiscal 1998 were for board level, chief executive and other senior executive officer positions. The Company has established strong client loyalty; more than 80% of the search assignments it performed in fiscal 1998 were on behalf of clients for whom it had conducted multiple assignments over the last three fiscal years.

The Company believes it is an innovator in the executive search industry and forward-thinking in addressing the fundamental transformation of the marketplace caused by the combined impact of advanced technology and the Internet. In anticipation of these changing industry dynamics, and in response to clients' demand for middle-management recruitment services, the Company recently established Futurestep, its Internet-based search service. Futurestep combines Korn/Ferry's search expertise with exclusive candidate assessment tools and the reach of the Internet to accelerate recruitment of candidates for middle-management positions. Following Futurestep's introduction in southern California and selected North American markets beginning in May 1998, approximately 68,400 candidates worldwide have completed a detailed on-line profile with Futurestep. The Company and Futurestep have an exclusive alliance with The Wall Street Journal, the first of its kind in the industry. This alliance provides preferred print and on-line access to The Wall Street Journal's readers, advertisers and on-line users. The Company believes its investments in technology-based recruitment will enable it to expand its share of the middle-management recruitment market and to strengthen its leading industry position as new methodologies begin to be utilized in senior-level search.

Korn/Ferry is also an established and respected source of management research. For example, the Company's Annual Board of Directors Survey of the Fortune 1000, now in its 25th year, reports on the structure, policy and trends in America's corporate boardrooms and is recognized as one of the most comprehensive, long-term studies of boards available.

INDUSTRY

According to Kennedy Information, worldwide executive search revenue grew at a 20% compound annual growth rate, from approximately \$3.5 billion in 1993 to \$7.3 billion in 1997. The Company believes that a number of favorable trends will contribute to the continued growth of the executive search industry, including: (i) the globalization of business; (ii) the demand for managers with broader skills; (iii) the increasing outsourcing of recruitment functions; and (iv) the use of advanced technology to accelerate the identification and assessment of candidates.

GROWTH STRATEGY

Korn/Ferry's objective is to expand its leadership position as a preferred global executive search firm by offering a broad range of solutions to address its clients' management recruitment needs. The principal elements of the Company's strategy include:

Leverage leadership in senior-level search--The Company's leadership in senior-level search enables it to grow its business by increasing the number of search assignments it handles for existing clients. The Company also believes that there are significant opportunities to develop new clients by aggressively marketing its proven global search expertise. The Company has adopted a structured approach to develop and build relationships with new and existing clients. Through its ten specialty practice groups and broad global presence, the Company maintains an in-depth understanding of the market conditions and strategic and management issues facing clients. Annually, the Company's regions, offices, individual consultants and specialty practice groups identify existing and prospective clients with substantial recurring needs for executive search services. The Company assembles teams of search consultants based on geographic, industry and functional expertise to focus on these accounts. The Company has developed a number of key relationships with prestigious multinational companies and, in fiscal 1998, completed an average of 34 search assignments each for 20 major long-standing accounts.

Expand into the middle-management market--In response to the growing client demand for middle-management recruitment, the Company is expanding its services to address this market. With its strong senior-level client relationships, advertised recruitment services and Futurestep, Korn/Ferry is well positioned to meet its clients' middle-management recruitment needs effectively and efficiently. By moving aggressively into this segment of the market, the Company believes it can strengthen its relationships with its existing clients, develop new clients and gain a competitive advantage in marketing complementary services.

Pursue strategic acquisitions--The Company will continue to make selected acquisitions that support its growth strategy, enhance its presence in key markets or otherwise complement its competitive strengths. The executive search industry is highly fragmented and consists of approximately 4,000 firms, the ten largest of which accounted for only 11% of the global executive search industry revenues in 1997. As the largest global executive search firm, the Company believes it has the resources to lead consolidation within the highly fragmented search industry. Since fiscal 1993, the Company has completed six acquisitions, including recent acquisitions in France and Switzerland.

Reinforce technological leadership--The Company has invested more than \$25 million over the past two fiscal years in the development of an advanced global technology infrastructure to increase the speed and quality of service to its clients. The Company's worldwide databases contain profiles of over 1,000,000 executives and over 310,000 companies. The Company's systems represent a strong competitive advantage, allowing its consultants to access information and communicate effectively with each other. As the executive search industry continues to grow and as more clients seek the assistance of search firms to fill middle-management positions, an advanced technology infrastructure has become an indispensable element of the search business.

Add new complementary services--The Company seeks to add new complementary services in response to specific client needs. For example, the Company developed Futurestep and has expanded its advertised

recruitment services to address its clients' growing demand for effective middle-management recruitment. In addition, the Company is exploring complementary business opportunities, which could include recruitment outsourcing and human resources consulting. As attractive business opportunities are identified, the Company may capitalize on these opportunities through internal development, joint ventures or selected acquisitions.

The Company believes the high caliber and motivation of its professionals are critical factors to its success. The Company further believes it has been able to attract and retain some of the most productive search consultants (vice presidents and principals) as a result of its premier reputation, history of consultant equity ownership and performance-based compensation program. As of April 30, 1998, the Company's 263 vice presidents had an average of seven years' experience with the Company, 12 years in the search industry and 13

years in other industries. On average, each of the Company's consultants completed 16 search assignments in fiscal 1998. In each of the last five fiscal years, no individual consultant has accounted for any material portion of the Company's revenues.

Upon the consummation of the Offering, the Company's employee-shareholders will continue to own approximately % of the Company. The employee-shareholders have agreed to limit their ability to sell more than half of their shareholdings until on or after the fourth anniversary of the Offering. To align further the interests of Korn/Ferry's consultants and shareholders, the Company has revised its compensation program for consultants. In contemplation of the Offering, the revised compensation program reduces the amount of consultants' annual cash performance bonus payments and provides for the issuance of stock options pursuant to the Company's newly adopted Performance Award Plan. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Management--Liquidity Schedule."

CORPORATE INFORMATION

The Company was incorporated in November 1969 under the laws of the State of California. The Company's principal executive offices are located at 1800 Century Park East, Suite 900, Los Angeles, California 90067, and its telephone number is (310) 552-1834. The Company's website address is www.kornferry.com and Futurestep's website address is www.futurestep.com. Neither the information contained in the websites of the Company and Futurestep nor the websites linked to the websites of the Company and Futurestep shall be deemed to be a part of this Prospectus.

THE OFFERING

Common Stock offered by:

The Company.....	shares
The Selling Shareholders.....	shares
Total.....	shares

Common Stock offered in:

U.S. Offering.....	shares
International Offering.....	shares
Total.....	shares

Common Stock outstanding after the

Offering.....	shares(1)
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Use of proceeds..... Of the estimated net proceeds to the Company of \$ million, the Company intends (i) to use approximately \$ million to complete the redemption by the Company of certain shares of its capital stock, including \$ million to redeem the outstanding shares of Series A Preferred Stock and \$ million to redeem the outstanding shares of Series B Preferred Stock, (ii) to apply \$ million to pay existing obligations of the Company to former holders of phantom units and stock appreciation rights, (iii) to use \$ million to repay the outstanding balance under its credit facility and (iv) to retain \$ million for possible future acquisitions, working capital and general corporate purposes, including the expansion of Futurestep and continued development of technology, information systems and infrastructure. See "Use of Proceeds" and "Certain Transactions--Additional

Redemption Amounts." While the Company will not receive any proceeds from the sale of shares of Common Stock in the Offering by the Selling Shareholders, it will receive approximately \$ million from the repayment by certain Selling Shareholders of loans from the Company to those Selling Shareholders.

Proposed New York Stock Exchange
symbol..... KFY

(1) Excludes (i) an aggregate of shares of Common Stock issuable upon the exercise of stock options that will be granted upon consummation of the Offering and (ii) an aggregate of additional shares of Common Stock reserved for future issuance under the Company's Performance Award Plan (the "Performance Award Plan"). See "Management--Benefit Plans--Performance Award Plan."

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SUMMARY FINANCIAL AND OTHER DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND OTHER DATA)

The following table sets forth certain summary financial and other operating data for the Company. This information should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, "Selected Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus.

	FISCAL YEAR ENDED APRIL 30,					THREE MONTHS ENDED JULY 31,			
	1994	1995	1996	1997	1998	PRO FORMA 1998 (1)	1997	1998	PRO FORMA 1998 (1)
						(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
STATEMENT OF OPERATIONS									
DATA:									
Total revenues.....	\$143,608	\$187,888	\$230,217	\$272,561	\$315,025	\$315,025	\$70,273	\$88,995	\$88,995
Less reimbursed candidate expenses...	4,440	6,627	8,731	12,137	14,470	14,470	2,414	4,320	4,320
Net revenues.....	139,168	181,261	221,486	260,424	300,555	300,555	67,859	84,675	84,675
Compensation and benefits.....	86,745	116,363	140,721	166,854	197,790	177,590	45,646	56,087	50,960
General and administrative expenses.....	39,362	48,630	64,419	73,005	84,575	84,575	18,119	24,199	24,199
Operating profit.....	13,061	16,268	16,346	20,565	18,190	38,390	4,094	4,389	9,516
Interest expense.....	1,991	2,323	3,683	3,320	4,234	4,234	1,011	1,245	1,245
Income before provision for income taxes and non-controlling shareholders' interests.....	11,070	13,945	12,663	17,245	13,956	34,156	3,083	3,144	8,271
Provision for income taxes.....	4,224	5,322	3,288	6,658	6,687	16,363	1,511	1,359	3,575
Non-controlling shareholders' interests(2).....	1,788	2,139	1,579	1,588	2,025	2,025	460	266	266
Net income.....	\$ 5,058	\$ 6,484	\$ 7,796	\$ 8,999	\$ 5,244	\$ 15,768 (3)	\$ 1,112	\$ 1,519	\$ 4,430 (3)
Net income per share									
Basic.....	\$ 0.24	\$ 0.30	\$ 0.38	\$ 0.42	\$ 0.24		\$ 0.05	\$ 0.06	
Diluted.....	0.21	0.27	0.36	0.40	0.23		0.05	0.06	
Weighted average common shares outstanding									
Basic.....	21,139	21,874	20,390	21,382	21,885		21,379	25,918	
Diluted.....	26,255	25,607	23,019	23,481	23,839		23,220	27,654	
	FISCAL YEAR ENDED APRIL 30,					THREE MONTHS ENDED JULY 31,			
	1994	1995	1996	1997	1998	1998			
						(UNAUDITED)			

OTHER DATA:

Total revenues by region:						
North America.....	\$ 75,770	\$ 97,950	\$111,513	\$135,192	\$162,618	\$ 46,458
Europe.....	37,913	49,769	68,890	77,505	86,180	25,572

Asia/Pacific.....	13,876	21,227	29,921	34,532	34,811	8,369
Latin America.....	16,049	18,942	19,893	25,332	31,416	8,596
Number of offices (at period end).....	54	59	62	66	71	71
Average number of consultants.....	221	252	274	311	357	384
Number of assignments..	3,449	3,570	4,113	4,774	5,879	1,560

JULY 31, 1998

AS
ACTUAL ADJUSTED(4)

(UNAUDITED)

BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 18,071	\$
Working capital.....	23,124	
Total assets.....	178,669	
Total long-term debt.....	6,928	
Total mandatorily redeemable stock, net.....	60,865	
Shareholders' equity.....	2,595	

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- (1) The unaudited pro forma statement of operations data for the fiscal year ended April 30, 1998 and the three months ended July 31, 1998 has been computed by eliminating from compensation and benefits that portion of consultant compensation that exceeds the amount which would have been paid had the Company's revised compensation program, which will be effective as of May 1, 1998 upon consummation of the Offering, been in effect for all of these periods. A pro forma adjustment also was made to reflect the increased income tax liability resulting from the corresponding increase in income before provision for income taxes, using the Company's effective tax rate of 48% in fiscal 1998 and 43% in the three months ended July 31, 1998. Under the revised compensation program, consultants and others will receive options to purchase shares of Common Stock at the market value at the time of grant. Such options will vest in equal installments over five years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."
 - (2) Represents the non-controlling majority shareholders' interests in the Company's Mexican subsidiaries and the non-controlling shareholders' minority interests in Futurestep.
 - (3) Upon consummation of the Offering, the Company expects to incur non-recurring compensation and benefits expenses of (i) \$39.8 million from the difference between the issuance price of the shares issued by the Company in the twelve months preceding the effective date of the Offering and the fair market value of the shares at the date of issuance, (ii) \$ million from the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement and (iii) \$ million from the payment of existing obligations to former holders of phantom units and stock appreciation rights. These non-recurring compensation and benefits expenses are not reflected in the pro forma fiscal year 1998 or the pro forma three months ended July 31, 1998 statements of operations data and will be reflected in the Company's financial statements for the quarter in which the Offering is consummated.
 - (4) Adjusted for the Offering and application of the estimated net proceeds therefrom, including completion of the redemption by the Company of certain shares of its capital stock (including Series A Preferred Stock), redemption of the outstanding shares of Series B Preferred Stock and payment of existing obligations of the Company to former holders of phantom units and stock appreciation rights. See "Use of Proceeds," "Capitalization" and "Certain Transactions--Additional Redemption Amounts."

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RISK FACTORS

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating the Company and its business before purchasing shares of Common Stock. This Prospectus contains forward-looking statements that are based on the beliefs of the Company's management, as well as assumptions made by, and information currently available to, the Company's management. Because such statements involve risks and uncertainties, actual actions and strategies, the Company's future results, performance or achievements could differ materially from those expressed in, or implied by, any such forward-looking statements. Factors that could cause or contribute to such material differences include, but are not limited to, those discussed below.

COMPETITION

The global executive search industry is highly competitive and fragmented. In certain markets, the Company's competitors may possess greater resources, greater name recognition and longer operating histories than the Company, which may afford these firms advantages in obtaining future clients and attracting qualified professionals in these markets. Historically, there have been few barriers to entry into the executive search industry and new executive search firms continue to enter the market. In addition, the Company believes that with the continuing development and increased availability of information technology, the executive search industry may attract new competitors. Specifically, the advent and increased use of the Internet may attract technology-oriented companies to the executive search industry. See "Business--Competition." There can be no assurance that the Company will be able to continue to compete effectively against existing or potential competitors. In addition, increased competition may lead to increased pricing pressures, requiring the Company to execute more searches or execute searches more efficiently in order to remain competitive. There can be no assurance that such pricing pressures will not have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE ON ATTRACTING AND RETAINING QUALIFIED EXECUTIVE SEARCH CONSULTANTS

The Company's success depends upon its ability to attract and retain qualified consultants who possess the skills and experience necessary to satisfy its clients' executive search needs. The Company competes with other executive search firms for qualified consultants. The failure of the Company to identify and hire consultants with the requisite experience, skills and established client relationships could have a material adverse effect on the Company's business, financial condition and results of operations. Although executive search firms strive to provide benefits and incentives to retain their search consultants, many firms have experienced consultant turnover. Consultants are paid salaries with the potential to earn substantially greater performance-based bonuses. A majority of the Company's revenues have been and will continue to be utilized to pay consultant compensation. Any diminution in the Company's reputation, reduction in the Company's compensation levels or restructuring of the Company's compensation system, whether as a result of insufficient revenues, a decline in the market price of the Common Stock after the Offering or for any other reason, could impair the Company's ability to retain existing or attract additional qualified consultants. In connection with the Offering, the Company has adopted a revised compensation program featuring equity-based incentives, which were not previously a part of its compensation structure. There can be no assurance that these changes to the Company's compensation programs will not adversely affect the Company's ability to attract and retain consultants. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Management--Executive Participation Programs--Executive Participation Program."

PORTABILITY OF CLIENT RELATIONSHIPS

The Company's success depends upon the ability of its executive search consultants to develop and maintain relationships with its clients. When a consultant leaves one search firm and joins another, clients that have established relationships with the departing consultant may move their business to the consultant's new employer. The loss of one or more clients is more likely to occur if the departing consultant enjoys widespread

name recognition or has developed a reputation as a specialist in executing searches in a particular industry. The Company's failure to retain its most productive consultants or maintain the quality of service to which its clients are accustomed, and the ability of a departing consultant to move business to his or her new employer, could have a material adverse effect on the Company's business, financial condition and results of operations. See "--Dependence on Attracting and Retaining Qualified Executive Search Consultants."

EFFECT OF GLOBAL ECONOMIC FLUCTUATIONS

Demand for the Company's services is significantly affected by the general level of economic activity in the regions and industries in which the Company operates. When economic activity slows, many companies hire fewer permanent employees. Therefore, a significant economic downturn, especially in regions or industries where the Company's operations are heavily concentrated, such as the financial services industry, could have a material adverse effect on the Company's business, results of operations and financial condition. In fiscal 1998, approximately 11% of the Company's total revenues, and 4% of its operating profits, were derived from the Asia/Pacific region and approximately 10% of the Company's total revenues, and 35% of its operating profits, were derived from the Latin America region. In the recent past, the global financial markets, especially in Asia and Latin America, have experienced significant turmoil, negatively impacting the revenues and operating profits of the Company's operations. There can be no assurance that such turmoil in the Asian and Latin American financial markets will not negatively affect the Company in those regions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

RISKS ASSOCIATED WITH GLOBAL OPERATIONS

The Company has 71 offices in 41 countries and generates approximately half its total revenues from operations outside of North America. There are certain risks inherent in transacting business worldwide, such as changes in applicable laws and regulatory requirements, tariffs and other trade barriers, difficulties in staffing and managing global operations, problems in collecting accounts receivable, political instability, fluctuations in currency exchange rates, repatriation controls and potential adverse tax consequences. The Company has no hedging or similar foreign currency contracts and therefore fluctuations in the value of foreign currencies could adversely impact the profitability of the Company's global operations. There can be no assurance that one or more of such factors will not have a material adverse effect on the Company's business, financial condition or results of operations.

RESTRICTIONS IMPOSED BY OFF-LIMITS AGREEMENTS

Either by agreement with clients, or for client relations or marketing purposes, executive search firms frequently refrain, for a specified period of time, from recruiting employees of a client, and possibly other entities affiliated with such client, when conducting searches on behalf of other clients (an "off-limits agreement"). Off-limits agreements generally remain in effect for one or two years following completion of an assignment. The duration and scope of the off-limits agreement, including whether it covers all operations of the client and its affiliates or only certain divisions of a client, generally are subject to negotiation or internal policies and may depend on such factors as the length of the client relationship, the frequency with which the executive search firm has been engaged to perform executive searches for the client and the amount of revenue the executive search firm has generated or expects to generate from the client. Some of the Company's clients are recognized as industry leaders and employ a significant number of qualified executives who are potential recruitment candidates for other companies. The Company's inability to recruit employees of such a client may make it difficult for the Company to obtain search assignments from, or to fulfill search assignments for, other companies in that client's industry. There can be no assurance that off-limits agreements will not impede the Company's growth or its ability to attract and serve new clients, or otherwise have a material adverse effect on the Company's business, results of operations and financial condition.

IMPLEMENTATION OF ACQUISITION STRATEGY

The Company's ability to grow and remain competitive may depend on its ability to consummate strategic acquisitions of other executive search firms. Although the Company frequently evaluates possible acquisitions, there can be no assurance that the Company will be successful in identifying, financing and completing such acquisitions. An acquired business may not achieve desired levels of revenue, profitability or productivity or otherwise perform as expected. In addition, growth through acquisition of existing firms involves risks such as diversion of management's attention, difficulties in the integration of acquired operations, difficulties in retaining personnel, increased off-limits conflicts, assumption of liabilities not known at the time of acquisition and tax and accounting issues, some or all of which could have a material adverse effect on the Company's business, results of operations and financial condition. The Company may finance future acquisitions in whole or in part with Common Stock, indebtedness or cash.

ABILITY TO MANAGE GROWTH

The future growth of the Company will result in new and increased responsibilities for the Company's management personnel as well as increased demands on the Company's internal systems, procedures and controls, and its managerial, administrative, financial, marketing, information and other resources. These new responsibilities and demands may adversely affect the Company's performance. Moreover, the Company intends to continue to open new offices and to develop new practice areas or lines of business complementary to its core services, which may entail certain start-up and maintenance costs that could be substantial. The failure of the Company to continue to improve its internal systems, procedures and controls, to open new offices, to develop new practice areas or otherwise to manage growth successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

RISKS RELATED TO THE DEVELOPMENT AND GROWTH OF FUTURESTEP

The acceptance of Futurestep is dependent on the use of the Internet by candidates, the ability of the Company to attract candidates to Futurestep's website and client acceptance of Futurestep's recruitment services. In addition, the Company believes Futurestep's alliance with The Wall Street Journal is important for attracting candidates and clients to Futurestep. The initial term of the alliance extends through June 2001. Any loss of such alliance could have a material adverse effect on the growth of Futurestep's business. In addition, the development of Futurestep will involve substantial expenditures and the Company believes Futurestep will generate operating losses through at least the end of fiscal 2000. The limited operating history of Futurestep makes the prediction of future results of operations difficult and there can be no assurance that Futurestep's operating losses will not increase in the future or that Futurestep will ever achieve or sustain profitability.

RELIANCE ON INFORMATION SYSTEMS

The Company's success depends in large part upon its ability to store, retrieve, process and manage substantial amounts of information. To achieve its strategic objectives and to remain competitive, the Company must continue to develop and enhance its information systems, which may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. The Company's inability to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for the Company to compete effectively, or any interruption or loss of the Company's information processing capabilities, for any reason, including but not limited to unanticipated Year 2000 issues, could have a material adverse effect on the Company's business, results of operations and financial condition.

YEAR 2000 COMPLIANCE

The Year 2000 issue is the result of computer programs being written to use two digits to define year dates. Computer programs running date-sensitive software may recognize a date using "00" as the year 1900 rather

than the year 2000. This defect could result in systems failure or miscalculations causing disruptions of operations. The Company utilizes

information technology to facilitate (i) its internal search processes and inter-office communications, (ii) communications with candidates and clients and (iii) its financial management systems and other support systems.

In fiscal 1998, the Company commenced an inventory and Year 2000 assessment of its principal computer systems, network elements, software applications and other business systems. The Company intends to correct any Year 2000 issues and to ensure compliance from its third party vendors. The Company has determined that an information system used in its London office is not Year 2000 compliant, and the Company will replace the non-compliant system with a Year 2000 compliant system in calendar year 1999. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

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

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

EMPLOYMENT LIABILITY RISK

Executive search firms are exposed to potential claims with respect to the executive search process. A client could assert a claim for such matters as breach of an off-limits agreement or recommending a candidate who subsequently proves to be unsuitable for the position filled. In addition, a candidate could assert an action against the Company for failure to maintain the confidentiality of the candidate's employment search or for alleged discrimination or other violations of employment law by a client of the Company. The Company maintains professional liability insurance in such amounts and with such coverages and deductibles as it believes are adequate to cover such claims. There can be no assurance, however, that the Company's insurance will cover all such claims or that its insurance coverage will continue to be available at economically feasible rates. See "Business--Insurance."

VOTING CONTROL BY CURRENT SHAREHOLDERS

Immediately after the Offering, the current shareholders of the Company will be the beneficial owners of _____ shares of Common Stock, representing approximately _____ % of the then issued and outstanding shares of Common Stock (_____ % if the over-allotment option is exercised in full). Immediately after the Offering, such shareholders will continue to have sufficient voting power to elect the entire Board of Directors of the Company and, in general, to determine (without the consent of the Company's other shareholders) the outcome of any

approval, including mergers, consolidations and the sale of all or substantially all of the Company's assets, and also the power to prevent or cause a change in control of the Company. See "Management" and "Principal and Selling Shareholders."

MANAGEMENT DISCRETION CONCERNING USE OF PROCEEDS

Most of the net proceeds of the Offering to the Company have not been designated for specific uses, and management will have substantial discretion in using the proceeds of the Offering. The failure of management to apply the proceeds effectively could have a material adverse effect on the Company's business, financial condition and results of operations. See "Use of Proceeds."

POSSIBLE VOLATILITY OF STOCK PRICE

There can be no assurance that an active trading market for the Common Stock will develop as a result of the Offering or, if a trading market does develop, that it will be sustained or that the shares of Common Stock could be resold at or above the initial public offering price. The initial public offering price of the Common Stock offered hereby will be determined through negotiations among the Company, the Selling Shareholders and the representatives of the Underwriters and may not be indicative of the price at which the Common Stock will actually trade after the Offering. In determining such price, consideration will be given to various factors, including market conditions for the initial public offering, the past history of and prospects for the Company's business, operations, earnings and financial position, an assessment of the Company's management, the market for securities of companies in businesses similar to those of the Company, the general condition of the securities markets and other relevant factors. After completion of the Offering, the market price of the Common Stock could be subject to significant variation due to fluctuations in the Company's operating results, changes in earnings estimates by securities analysts, the degree of success the Company achieves in implementing its business strategy, changes in business conditions affecting the Company, its customers or its competitors, and other factors. In addition, the stock market may experience volatility that affects the market prices of companies in ways unrelated to the operating performance of such companies, and such volatility may adversely affect the market price of the Common Stock.

SHARES ELIGIBLE FOR FUTURE SALE

Upon consummation of the Offering, the Company will have outstanding an aggregate of _____ shares of Common Stock (_____ shares if the over-allotment option is exercised in full). Of these shares, all of the _____ shares sold in the Offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"), unless such shares are purchased by affiliates of the Company as that term is defined in Rule 144 under the Securities Act ("Affiliates"). Of the remaining _____ shares, _____ shares of Common Stock held by existing shareholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act ("Restricted Shares"). Restricted Shares may be sold to the public only if registered or if they qualify for an exemption from registration under Rule 144 promulgated under the Securities Act. Beginning 90 days after the date of this Prospectus, _____ shares will be eligible for sale pursuant to Rule 144, provided the conditions of Rule 144 are met, subject to the lock-up agreements described below. Future sales of substantial amounts of Common Stock after the Offering, or the perception that such sales could occur, could adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through the sale of its equity securities. No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price of the Common Stock. In addition, the Company has the authority to issue additional shares of Common Stock and shares of one or more series of preferred stock. The issuance of such shares could result in the dilution of the voting power of the shares of Common Stock purchased in the Offering and could have a dilutive effect on earnings per share.

Each of the Company and the existing shareholders of the Company has agreed that it will not offer, sell, contract to sell, announce its intention to sell, pledge or otherwise dispose of, directly or indirectly, or file with

the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of the Company without the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this Prospectus, except, in the case of the Company, for the grant of options and sale of shares under the Company's stock benefit plans. Thereafter, certain parties may also sell shares under Rule 144 of the Securities Act. See "Description of Capital Stock," "Shares Eligible for Future Sale" and "Underwriting."

Substantially all of the Company's existing shareholders have agreed to be subject to a liquidity schedule that limits their ability to sell their current Common Stock holdings. See "Management--Liquidity Schedule."

ANTI-TAKEOVER PROVISIONS; POSSIBLE ISSUANCE OF PREFERRED STOCK

The Company's Amended and Restated Articles of Incorporation (the "Articles") and Amended and Restated Bylaws (the "Bylaws") and applicable law contain provisions that could have the effect of inhibiting a non-negotiated merger or other business combination. In particular, the Articles provide for a staggered Board of Directors and do not permit cumulative voting. In addition, the Articles authorizes the Board of Directors to issue shares of preferred stock, and fix the rights and preferences thereof, without a vote of its shareholders. Although no shares of preferred stock will be outstanding upon consummation of the Offering, and the Company has no present plans to issue any shares of preferred stock, the rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Certain of these provisions may have anti-takeover effects and may delay, deter or prevent a change in control of the Company that shareholders might otherwise consider in their best interests. Moreover, the existence of these provisions may depress the market price of the Common Stock. The Company's Bylaws also limit the ability of shareholders to raise certain matters at a meeting of shareholders without giving advance notice. See "Description of Capital Stock--Preferred Stock" and "--Certain Anti-Takeover Effects."

SUBSTANTIAL AND IMMEDIATE DILUTION

The initial public offering price of the Common Stock offered in the Offering will be substantially higher than the net tangible book value per share of the currently outstanding Common Stock. Therefore, purchasers of Common Stock in the Offering will experience immediate and substantial dilution of \$ per share. See "Dilution."

ABSENCE OF DIVIDENDS

The Company does not anticipate declaring or paying any cash dividends on its Common Stock in the foreseeable future. Future dividend policy will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Board of Directors. See "Dividend Policy."

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USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares of Common Stock offered by it, after deducting the offering expenses and the estimated underwriting discounts and commissions payable by the Company, are estimated to be \$ million (\$ million if the over-allotment option is exercised in full), assuming an initial public offering price of \$ per share (the mid-point of the offering range set forth on the cover page of this Prospectus). The Company will not receive any proceeds from the sale of shares of Common Stock in the Offering by the Selling Shareholders. However, approximately \$ million of the proceeds from the sale of shares of Common Stock in the Offering by certain Selling Shareholders will be paid to the Company to reduce the amount of loans outstanding from the Company to them incurred in connection with their original purchase of shares of Common Stock. As of July 31, 1998, the Company had \$12.4 million of notes receivable from shareholders.

The Company intends (i) to use approximately \$ million of the net proceeds from the Offering to complete the redemption by the Company of certain shares of its capital stock, including \$ million to redeem the outstanding shares of Series A Preferred Stock and \$ million to redeem the

outstanding shares of Series B Preferred Stock, (ii) to apply \$ million to pay existing obligations of the Company to former holders of phantom units and stock appreciation rights, (iii) to use \$ million to repay the outstanding balance under its credit facility and (iv) to retain \$ million for possible future acquisitions, working capital and general corporate purposes, including the expansion of Futurestep and continued development of technology, information systems and infrastructure. See "Certain Transactions--Additional Redemption Amounts." Pending such uses, the Company intends to invest such funds in interest-bearing, short-term, investment grade securities, certificates of deposit, bank deposits, commercial paper or other short-term debt instruments. See Note 3 to the Consolidated Financial Statements for interest rates and maturity of the Company's credit facility being repaid.

DIVIDEND POLICY

Since April 30, 1996, the Company has not paid any dividends. Future dividend policy will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Board of Directors. The Company intends to retain future earnings to finance its operations and growth and does not anticipate declaring or paying any cash dividends on its Common Stock in the foreseeable future. See "Risk Factors--Absence of Dividends" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth the cash and cash equivalents, long-term debt and capitalization of the Company as of July 31, 1998, on (i) an actual basis and (ii) an as adjusted basis to give effect to the Offering and the application of the estimated net proceeds therefrom (including approximately \$ million to be received by the Company from the Selling Shareholders). The capitalization of the Company should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus.

	AS OF JULY 31, 1998	
	-----	-----
	ACTUAL	AS ADJUSTED (UNAUDITED)
	-----	-----
	(DOLLARS IN THOUSANDS)	
Cash and cash equivalents.....	\$ 18,071	\$
	=====	=====
Current portion of long-term debt.....	\$ 2,829	\$ --
Long-term debt, less current portion.....	6,928	--
	-----	-----
Mandatorily redeemable common and preferred stock (1)		
Series A preferred stock, no par value; 10,000 shares authorized, 8,600 shares issued and outstanding and no shares authorized, issued and outstanding on an as adjusted basis.....	63	--
Series B preferred stock, no par value; 150,000 shares authorized, 121,000 shares issued and outstanding and no shares authorized, issued and outstanding on an as adjusted basis.....	1,373	--
Common stock, no par value; 25,669,000 shares issued and outstanding	72,340	
Notes receivable and other unpaid shares.....	(12,911)	
	-----	-----
Total mandatorily redeemable common and preferred stock.....	60,865	
	-----	-----
Shareholders' equity		
Preferred stock, no par value; 50,000,000 shares authorized, no shares issued and outstanding on an as adjusted basis.....		--

Common stock, no par value; 150,000,000 shares authorized, 920,000 shares issued and outstanding and shares issued and outstanding on an as adjusted basis (2).....	--	
Retained earnings.....	2,595	
	-----	----
Total shareholders' equity.....	2,595	----
	-----	----
Total capitalization.....	\$ 73,217	\$
	=====	=====

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- (1) The common stock and preferred stock of the Company outstanding prior to the consummation of the Offering are subject to mandatory repurchase agreements which require the classification of such capital stock as mandatorily redeemable common and preferred stock.
- (2) Excludes (i) an aggregate of shares issuable upon the exercise of stock options that will be granted upon consummation of the Offering and (ii) an aggregate of additional shares of Common Stock reserved for issuance under the Performance Award Plan. See "Management--Benefit Plans--Performance Award Plan."

DILUTION

As of July 31, 1998, the Company had a net tangible book value of \$58,497,000 or \$2.20 per share of Common Stock based upon 26,589,000 shares of Common Stock outstanding. Net tangible book value per share is determined by dividing the net tangible book value of the Company (total tangible assets less total liabilities, excluding mandatorily redeemable Common Stock and preferred stock of the Company) as of such date by the number of shares of Common Stock outstanding as of such date. Without giving effect to any changes in the net tangible book value other than (i) the receipt and application by the Company of estimated net proceeds from the sale of the shares of Common Stock sold by the Company in the Offering at an assumed initial public offering price of \$ per share (the midpoint of the range set forth on the cover page of this Prospectus) and (ii) the reduction in shareholders' equity of \$ million resulting from the completion of the redemption by the Company of certain shares of its capital stock (including Series A Preferred Stock), redemption of the outstanding shares of Series B Preferred Stock and payment of existing obligations of the Company to former holders of phantom units and stock appreciation rights (the "Stock Redemption Transaction"), the Company's pro forma net tangible book value as of July 31, 1998 would have been \$ million, or \$ per share of Common Stock. This represents an immediate increase in pro forma net tangible book value of \$ per share to the existing shareholders and an immediate dilution of \$ per share to new investors purchasing shares in the Offering. The following table illustrates this per share dilution to new investors:

Initial public offering price per share.....	\$
Net tangible book value per share as of July 31, 1998 before the Offering.....	\$2.20
Increase in net tangible book value per share attributable to new investors in the Offering.....	
Effect of Stock Redemption Transaction.....	-----
Pro forma net tangible book value per share as of July 31, 1998 after giving effect to the Offering and the Stock Redemption Transaction.....	-----
Dilution per share to new investors.....	\$
	=====

The following table sets forth, on a pro forma basis as of July 31, 1998 after giving effect to the Offering and the Stock Redemption Transaction described above, the number of shares purchased from the Company, the total

consideration paid and the average price per share paid by existing shareholders and the new investors purchasing shares of Common Stock from the Company in the Offering.

	SHARES OF COMMON STOCK PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing shareholders(1).....		%	\$	%	\$
New investors(1).....	---	-----	----	-----	
Total.....	===	100.0%	=====	100.0%	=====

The foregoing table excludes (i) an aggregate of _____ shares of Common Stock issuable upon the exercise of stock options that will be granted upon consummation of the Offering and (ii) an aggregate of _____ additional shares of Common Stock reserved for future issuance under the Performance Award Plan. See "Management--Benefit Plans--Performance Award Plan." To the extent these options are exercised, there will be further dilution to new investors.

(1) Sales by Selling Shareholders in the Offering will reduce the number of shares of Common Stock held by existing shareholders to _____ or approximately _____% (_____ shares or approximately _____% if the over-allotment option is exercised in full) and will increase the number of shares held by new investors to _____ or approximately _____% (_____ shares or approximately _____% if the over-allotment option is exercised in full) of the total number of shares of Common Stock outstanding after the Offering. See "Principal and Selling Shareholders."

SELECTED FINANCIAL AND OTHER DATA

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The following selected financial data are qualified by reference to, and should be read in conjunction with, the Company's Consolidated Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus. The selected statement of operations data set forth below for the Company for the fiscal years ended April 30, 1996, 1997 and 1998 and the balance sheet data as of April 30, 1997 and 1998 are derived from the Company's Consolidated Financial Statements and Notes thereto, audited by Arthur Andersen LLP, appearing elsewhere in this Prospectus. The selected statement of operations data set forth below for the Company for the fiscal years ended April 30, 1994 and 1995 and the balance sheet data as of April 30, 1994, 1995 and 1996 are derived from consolidated financial statements and notes thereto, audited by Arthur Andersen LLP, which are not included in this Prospectus. The pro forma statement of operations data for the fiscal year ended April 30, 1998 and the three months ended July 31, 1998, together with the selected statement of operations data set forth below for the three months ended July 31, 1997 and 1998 and the balance sheet data at July 31, 1998, are unaudited.

FISCAL YEAR ENDED APRIL 30,						THREE MONTHS ENDED JULY 31,		
1994	1995	1996	1997	1998	PRO FORMA 1998 (1)	1997	1998	PRO FORMA 1998 (1)

(UNAUDITED) (UNAUDITED) (UNAUDITED) (UNAUDITED)

STATEMENT OF OPERATIONS

DATA:

Total revenues.....	\$143,608	\$187,888	\$230,217	\$272,561	\$315,025	\$315,025	\$70,273	\$88,995	\$88,995
Less reimbursed candidate expenses...	4,440	6,627	8,731	12,137	14,470	14,470	2,414	4,320	4,320
Net revenues.....	139,168	181,261	221,486	260,424	300,555	300,555	67,859	84,675	84,675
Compensation and benefits.....	86,745	116,363	140,721	166,854	197,790	177,590	45,646	56,087	50,960
General and administrative expenses.....	39,362	48,630	64,419	73,005	84,575	84,575	18,119	24,199	24,199
Operating profit.....	13,061	16,268	16,346	20,565	18,190	38,390	4,094	4,389	9,516
Interest expense.....	1,991	2,323	3,683	3,320	4,234	4,234	1,011	1,245	1,245
Income before provision for income taxes and non-controlling shareholders' interests.....	11,070	13,945	12,663	17,245	13,956	34,156	3,083	3,144	8,271
Provision for income taxes.....	4,224	5,322	3,288	6,658	6,687	16,363	1,511	1,359	3,575
Non-controlling shareholders' interests(2).....	1,788	2,139	1,579	1,588	2,025	2,025	460	266	266
Net income.....	\$ 5,058	\$ 6,484	\$ 7,796	\$ 8,999	\$ 5,244	\$ 15,768 (3)	\$ 1,112	\$ 1,519	\$ 4,430 (3)
Net income per share Basic.....	\$ 0.24	\$ 0.30	\$ 0.38	\$ 0.42	\$ 0.24	\$ 0.05	\$ 0.05	\$ 0.06	
Diluted.....	0.21	0.27	0.36	0.40	0.23	0.05	0.05	0.06	
Weighted average common shares outstanding Basic.....	21,139	21,874	20,390	21,382	21,885	21,379	21,379	25,918	
Diluted.....	26,255	25,607	23,019	23,481	23,839	23,220	23,220	27,654	

APRIL 30,

1994 1995 1996 1997 1998 JULY 31,

1998

(UNAUDITED)

BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 16,737	\$ 28,244	\$ 26,640	\$ 25,298	\$ 32,358	\$ 18,071
Working capital.....	18,288	22,735	22,006	20,051	26,573	23,124
Total assets.....	85,606	110,003	126,341	148,405	176,371	178,669
Total long-term debt...	3,687	6,004	3,922	3,206	6,151	6,928
Total mandatorily redeemable stock and shareholders' equity..	29,375	34,149	43,075	50,812	58,754	63,460

- (1) The unaudited pro forma statement of operations data for the fiscal year ended April 30, 1998 and the three months ended July 31, 1998 has been computed by eliminating from compensation and benefits that portion of consultant compensation that exceeds the amount which would have been paid had the Company's revised compensation program, which will be effective as of May 1, 1998 upon consummation of the Offering, been in effect for all of these periods. A pro forma adjustment also was made to reflect the increased income tax liability resulting from the corresponding increase in income before provision for income taxes, using the Company's effective tax rate of 48% in fiscal 1998 and 43% in the three months ended July 31, 1998. Under the revised compensation program, consultants and others will receive options to purchase shares of Common Stock at the market value at the time of grant. Such options will vest in equal installments over five years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."
- (2) Represents the non-controlling majority shareholders' interests in the Company's Mexican subsidiaries and the non-controlling shareholders' minority interests in Futurestep.
- (3) Upon consummation of the Offering, the Company expects to incur non-recurring compensation and benefits expenses of (i) \$39.8 million from the difference between the issuance price of the shares issued by the Company in the twelve months preceding the effective date of the Offering and the fair market value of the shares at the date of issuance, (ii) \$ million from the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement and (iii) \$ million from the payment of existing obligations to former holders of phantom units and stock appreciation rights. These non-

recurring compensation and benefits expenses are not reflected in the pro forma fiscal year 1998 or the pro forma three months ended July 31, 1998 statements of operations data and will be reflected in the Company's financial statements for the quarter in which the Offering is consummated. See "Certain Transactions--Additional Redemption Amounts" and Notes 5, 6 and 14 of notes to Consolidated Financial Statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's objective is to maximize shareholder value by executing a strategy that focuses on expanding its leadership position as a preferred global executive search firm by offering a broad range of solutions to address its clients' management recruitment needs. The following presentation of management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto and other financial information included herein.

OVERVIEW

Korn/Ferry International is the world's largest executive search firm with 71 offices across 41 countries. In fiscal 1998, the Company had \$315.0 million in total revenues and performed approximately 5,870 assignments for more than 3,750 clients. The Company derives substantially all of its revenues from fees for professional services, which are billed exclusively on a retained basis. Fees are typically equal to one third of the first year annual cash compensation for the positions being filled. The Company recognizes fee revenues as services are substantially rendered, generally over a three month period commencing in the month of initial acceptance of the search engagement. The Company generally bills its clients in three monthly installments over this period. In addition, clients typically are required to reimburse the Company for candidate travel and any other out-of pocket expenses incurred in the search process. Expenses that are billed to clients are included in total revenues. That portion of the expense attributable to candidate expenses is included in reimbursable candidate expenses and is deducted from total revenues to arrive at net revenues.

The Company's total revenues have grown at a compound annual growth rate of approximately 22% to \$315.0 million in fiscal 1998 from \$143.6 million in fiscal 1994. The principal drivers of this growth in total revenues are an increase in the number of assignments, geographic expansion and selected acquisitions. The number of searches increased 23% to 5,879 in fiscal 1998 from 4,774 in fiscal 1997, and 16% in fiscal 1997 from 4,113 in fiscal 1996. The average number of consultants grew 15% to 357 in fiscal 1998 from 311 in fiscal 1997, and 14% in fiscal 1997 from 274 in fiscal 1996.

Operating profit as a percentage of net revenues declined from 9% in fiscal 1994 to 6% in fiscal 1998. This decline resulted primarily from an increase in compensation and benefits expense as a percentage of net revenues from 62% in fiscal 1994 to 66% in fiscal 1998. The largest component of the Company's expenses consists of compensation and benefits paid to its consultants, executive officers and administrative and support personnel. The Company believes it has been able to attract and retain some of the most productive executive search consultants in the industry as a result of its premium reputation, history of consultant equity ownership and its performance-based compensation program. Currently, most of the Company's consultants are paid annual compensation consisting of a base salary and a cash performance bonus, which has historically represented a significant portion of total cash compensation.

Upon the consummation of the Offering, the Company's employee-shareholders will continue to own approximately % of the Company. The employee-shareholders have agreed to retain at least 50% of their current Common Stock ownership until the fourth anniversary of the Offering. To align further the interests of Korn/Ferry's consultants and shareholders, the Company has revised its compensation programs. The revised compensation program, which will be effective as of May 1, 1998 upon consummation of the Offering, will reduce the amount of consultants' annual cash performance bonus payments and provide for the issuance of stock options pursuant to the Company's newly adopted Performance Award Plan. Under the revised compensation program, consultants and others will receive options to purchase shares of Common Stock

at the market value at the time of grant. Such options will vest in equal installments over five years. See "Management--Benefit Plans--Performance Award Plan." Had the revised compensation program been in effect for all of fiscal 1998, compensation and benefits expenses reflected in the Company's Consolidated Financial Statements would have been reduced by approximately \$20.2 million and operating profit as a percentage of net revenues would have increased to 13% in fiscal 1998 from 9% in fiscal 1994.

Upon consummation of the Offering, the Company expects to incur non-recurring compensation charges of (i) \$39.8 million representing the difference between the book value issuance price of shares issued by the Company in the twelve months preceding the effective date of the Offering and the fair market value of the shares at the date of the issuance, (ii) \$ million from the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement and (iii) \$ million from the payment of existing obligations to former holders of phantom units and stock appreciation rights. These charges will be reflected in the Company's Consolidated Financial Statements in the quarter in which the Offering is consummated.

In May 1998, the Company introduced its Internet-based service, Futurestep. The Company is currently incurring marketing and other start-up costs associated with Futurestep, which approximated \$0.8 million for fiscal 1998 and \$2.5 million for the three months ended July 31, 1998. The Company believes Futurestep will generate operating losses through at least the end of fiscal 2000. Futurestep plans to expand in the United States throughout fiscal 1999 and in other selected markets thereafter.

RESULTS OF OPERATIONS

The following table summarizes the results of the Company's operations for each of the past three fiscal years and the first quarters of fiscal 1998 and 1999 as a percentage of net revenues.

	FISCAL YEAR ENDED APRIL 30,				THREE MONTHS ENDED JULY 31,		
	1996	1997	1998	PRO FORMA 1998 (1)	1997	1998	PRO FORMA 1998 (1)
Net revenues.....	100%	100%	100%	100%	100%	100%	100%
Compensation and benefits.....	64	64	66	59	67	66	60
General and administrative expenses.....	29	28	28	28	27	29	29
Operating profit.....	7	8	6	13	6	5	11
Net income.....	4	3	2	5	2	2	5

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(1) Assumes the Company's revised compensation program for consultants had been in effect for all of fiscal 1998 and the first quarter of fiscal 1999. See "Selected Financial and Other Data."

The Company experienced growth in total revenues in all geographic regions in both fiscal 1998 and 1997. In the first quarter of fiscal 1999, revenues increased in all geographic regions except for Asia/Pacific. The following table summarizes the Company's total revenues by geographic region for each of the past three fiscal years and the three months ended July 31, 1997 and 1998. The Company includes revenues generated from its Mexican operations with its operations in Latin America.

FISCAL YEAR ENDED APRIL 30,			THREE MONTHS ENDED JULY 31,	
1996	1997	1998	1997	1998

	DOLLARS	%	DOLLARS	%	DOLLARS	%	DOLLARS	%	DOLLARS	%
(IN THOUSANDS)										
North America.....	\$111,513	48%	\$135,192	50%	\$162,618	52%	\$34,678	49%	\$46,458	52%
Europe.....	68,890	30	77,505	28	86,180	27	18,321	26	25,572	29
Asia/Pacific.....	29,921	13	34,532	13	34,811	11	9,871	14	8,369	9
Latin America.....	19,893	9	25,332	9	31,416	10	7,403	11	8,596	10
Total revenues.....	\$230,217	100%	\$272,561	100%	\$315,025	100%	\$70,273	100%	\$88,995	100%

THREE MONTHS ENDED JULY 31, 1998 COMPARED TO THREE MONTHS ENDED JULY 31, 1997

Total Revenues

Total revenues increased \$18.7 million, or 27%, to \$89.0 million for the three months ended July 31, 1998 from \$70.3 million for the three months ended July 31, 1997. The increase in total revenues was primarily attributable to a 15% increase in the average number of consultants and an 11% increase in average revenue per consultant in the current period.

In North America, total revenues increased \$11.7 million, or 34%, to \$46.4 million for the three months ended July 31, 1998 from \$34.7 million for the three months ended July 31, 1997. In Europe, total revenues increased \$7.3 million, or 40%, to \$25.6 million for the three months ended July 31, 1998 from \$18.3 million for the comparable period ended July 31, 1997. In Asia-Pacific, total revenues declined \$1.5 million, or 15%, to \$8.4 million for the three months ended July 31, 1998 from \$9.9 million for the three months ended July 31, 1997 and in Latin America, total revenues increased \$1.2 million, or 16%, to \$8.6 million for the three months ended July 31, 1998 from \$7.4 million for the comparable period ended July 31, 1997.

Revenue growth in North America and Latin America was attributable primarily to a 15% and 18% increase in the average number of consultants in the respective regions and an increase in the number of assignments in North America. The growth in revenues also reflects the addition of revenues generated from two offices in North America and one office in Latin America that were opened in fiscal 1998. Total revenues in Europe for the three months ended July 31, 1998 reflect a 15% increase in the average number of consultants from the year earlier period, the addition of revenues generated from two offices that were opened in fiscal 1998 and the acquisition of subsidiaries in France and Switzerland in the first quarter of fiscal 1999. The decline in total revenues for Asia/Pacific for the three months ended July 31, 1998 as compared to the three months ended July 31, 1997 of \$1.5 million was attributable to continued economic uncertainty in the region offset by a 7% increase in the average number of consultants for the three months ended July 31, 1998 from the year earlier period. The Company believes Asia/Pacific total revenues in fiscal 1999 may continue to decline from fiscal 1998 but the impact on total revenues is not expected to be significant.

Interest income and other income increased \$0.5 million to \$1.1 million for the three months ended July 31, 1998 from \$0.6 million for the three months ended July 31, 1997. The increase was due primarily to interest earned on notes receivable from shareholders.

Compensation and Benefits

Compensation and benefits increased \$10.5 million, or 23%, to \$56.1 million for the three months ended July 31, 1998 from \$45.6 million for the three months ended July 31, 1997. This increase primarily reflects a 15% increase in the average number of consultants for the three months ended July 31, 1998 over the comparable period in 1997 and the initial recognition of Futurestep compensation and benefits expense of \$0.7 million in the three months ended July 31, 1998. Compensation and benefits as a percentage of net revenues in the three months ended July 31, 1998 was 66% as compared to 67% in the three months ended July 31, 1997 reflecting the larger percentage increase in net revenues in the current three month period offset by expenses related to Futurestep and the French and Swiss acquisitions. See Note 15 to the Company's

Consolidated Financial Statements. Had the Company's revised compensation program been in effect from May 1, 1998, compensation and benefit expenses for the three months ended July 31, 1998 would have been reduced by \$5.1 million.

General and Administrative Expenses

General and administrative expenses consist of occupancy expense associated with the Company's leased premises, investments in information and technology infrastructure, marketing and other general office expenses. General and administrative expenses increased \$6.1 million, or 34%, to \$24.2 million in the three months ended July 31, 1998 from \$18.1 million for the three months ended July 31, 1997. This increase primarily related to an increase from the year earlier period in occupancy and office expenses, including depreciation and leasehold

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amortization expense, attributable to the operation of five offices that were opened in fiscal 1998 and the recognition of \$1.8 million of expense related to Futurestep. As a percentage of net revenues, general and administrative expenses, excluding Futurestep related expenses, decreased slightly to 26% for the three month ended July 31, 1998 from 27% for the comparable period in 1997.

Operating Profit

Operating profit includes interest income, other income and the Futurestep expenses of approximately \$2.5 million for the three months ended July 31, 1998. The Futurestep expenses are included in the North American region. Operating profit increased \$0.3 million to \$4.4 million for the three months ended July 31, 1998 from \$4.1 million for the three months ended July 31, 1997. Operating profit as a percentage of net revenues decreased to 5% for the three months ended July 31, 1998 from 6.0% for the comparable period ended July 31, 1997, primarily because of Futurestep expenses for the three months ended July 31, 1998. Had the Company's revised compensation program been in effect for the three months ended July 31, 1998 operating profit would have been \$9.5 million or 11.2% of net revenues.

Operating profit as a percentage of net revenues, excluding Futurestep, increased across all regions for the three months ended July 31, 1998 compared to the same period of the prior fiscal year. The North American region, excluding Futurestep, contributed approximately 53% of the Company's operating profit for three months ended July 31, 1998 compared to 47% in the same period of the prior fiscal year. The European region contributed approximately 13% to the Company's operating profit in the first quarter of fiscal 1999 compared to 4% in the same period of the prior fiscal year. Operating profit contributed by Asia/Pacific declined from 11% to 5% while the Latin American contribution decreased from 38% to 30% for the three months ended July 31, 1998 compared to the same period in 1997. The employee shareholders of certain of the Company's Latin American subsidiaries receive a portion of their bonus in the form of dividends, which are not included in determining operating profit for the Latin American region.

Interest Expense

Interest expense increased \$0.2 million to \$1.2 million for the three months ended July 31, 1998 from \$1.0 million for the three months ended July 31, 1997. Interest expense for these two periods reflected the Company's increased borrowings under Company-owned life insurance ("COLI") policies.

Provision for Income Taxes

The provision for income taxes decreased \$0.1 million to \$1.4 million for the three months ended July 31, 1998 from \$1.5 million for the three months ended July 31, 1997. The effective tax rate was 43% for the three months ended July 31, 1998 as compared to 49% for the comparable period in 1997. The reduction in the effective tax rate resulted primarily from a decrease in foreign cash remittances which are treated as taxable income in the United States when received.

Non-controlling Shareholders Interests

Non-controlling shareholder's interests are comprised of the non-controlling

shareholders' majority interests in the Company's Mexican subsidiaries and, in the three months ended July 31, 1998, the minority shareholders' interests in Futurestep. Non-controlling shareholders' interests decreased \$0.2 million to \$0.3 million in the three months ended July 31, 1998 from \$0.5 million for the three months ended July 31, 1997. This decrease resulted primarily from the recognition of minority shareholders' interests in Futurestep expenses of approximately \$0.4 million in the three months ended July 31, 1998, offset by an increase from the same period in 1997 in the

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non-controlling shareholders' interests in the net income generated by the Mexican subsidiaries of approximately \$0.2 million.

FISCAL 1998 COMPARED TO FISCAL 1997

Total Revenues

Total revenues increased \$42.5 million, or 16%, to \$315.0 million for fiscal 1998 from \$272.6 million for fiscal 1997. The increase in total revenues was primarily the result of a 15% increase in the average number of consultants and a 23% increase in the number of assignments in fiscal 1998.

In North America, total revenues increased \$27.4 million, or 20%, to \$162.6 million for fiscal 1998 from \$135.2 million for fiscal 1997. In Europe, total revenues increased \$8.7 million, or 11%, to \$86.2 million in fiscal 1998 from \$77.5 million in fiscal 1997. In Asia/Pacific, total revenues remained relatively flat in fiscal 1998 as compared to fiscal 1997 and in Latin America, total revenues increased \$6.1 million, or 24%, to \$31.4 million in fiscal 1998 from \$25.3 million in fiscal 1997.

The average number of consultants grew in each region, reflecting the addition of two offices in North America, two offices in Europe and one office in Latin America. In addition, the Company experienced strong growth in the number of assignments in each region except Asia/Pacific and increased total revenue per assignment in North America. The relatively constant total revenues and assignments for Asia/Pacific from fiscal 1997 to fiscal 1998 was attributable to economic uncertainties in Asia. The Company believes Asia/Pacific total revenues in fiscal 1999 may decline from fiscal 1998 but the impact on total revenues is not expected to be significant.

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

Compensation and Benefits

Compensation and benefits increased \$30.9 million, or 19%, to \$197.8 million in fiscal 1998 from \$166.9 million in fiscal 1997. This increase was attributable to a 15% increase in the average number of consultants to 357 in fiscal 1998 from 311 in fiscal 1997 and an overall increase in compensation and benefits as a percentage of net revenues. Compensation and benefits as a percentage of net revenues in fiscal 1998 was 66% as compared to 64% in fiscal 1997. In addition, the Company has incurred an increase in sign-on bonuses granted to newly hired consultants in fiscal 1998 prior to their generation of revenues and guaranteed bonuses. This type of compensation is viewed by the Company as a necessary investment in attracting and hiring the most productive consultants in the industry.

General and Administrative Expenses

General and administrative expenses increased \$11.6 million, or 16%, to \$84.6 million in fiscal 1998 from \$73.0 million in fiscal 1997. This increase was primarily related to an increase in occupancy and office expenses, including depreciation and leasehold amortization expense attributable to the opening of five new offices in fiscal 1998 as well as the full year of operation of the net four offices opened in fiscal 1997. As a percentage of net revenues, general and administrative expenses remained constant at 28% for both fiscal 1998 and fiscal 1997. Technology expenses amounted to \$8.4 million in fiscal 1998 as compared to \$7.2 million in fiscal 1997. The Company intends to continue investing in information systems, other technology infrastructure and in research activities to support its growth.

Operating Profit

Operating profit decreased \$2.4 million to \$18.2 million in fiscal 1998 from \$20.6 million in fiscal 1997. As a percentage of net revenues, operating profit decreased to 6% in fiscal 1998 from 8% in fiscal 1997. This

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decrease was attributable to the increase in compensation and benefits in fiscal 1998 from fiscal 1997 as discussed above.

The percentage of the Company's operating profit contributed by the North American and Asia/Pacific regions decreased to approximately 59% and 4%, respectively, in fiscal 1998 compared to 67% and 17%, respectively in the prior fiscal year. The percentage of the Company's operating profit contributed by the European region increased to approximately 2% in fiscal 1998 from a negative contribution of 4% in fiscal 1997, and the percentage of the Company's operating profit contributed by the Latin American region increased to approximately 35% of the Company's operating profit in fiscal 1998 from 20% in fiscal 1997.

Interest Expense

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

Provision for Income Taxes

The provision for income taxes in both fiscal 1998 and fiscal 1997 was \$6.7 million. The effective tax rate was 48% for fiscal 1998 compared to 39% in fiscal 1997. The increase was due to the increase in cash remittances from foreign operations that was treated as taxable income in the United States. The Company has implemented a global cash management strategy to optimize the timing and extent of future foreign cash remittances.

Non-controlling Shareholders' Interests

Non-controlling shareholders' interests are comprised of the non-controlling shareholders' majority interests in the Company's Mexican subsidiaries and, in fiscal 1998, the 20% non-controlling shareholders' interests in Futurestep. Non-controlling shareholders' interests increased \$0.4 million to \$2.0 million in fiscal 1998 from \$1.6 million in fiscal 1997. This change was primarily due to an increase in net income generated by the Mexican subsidiaries of approximately \$1.0 million in fiscal 1998.

FISCAL 1997 COMPARED TO FISCAL 1996

Total Revenues

Total revenues increased \$42.3 million, or 18%, to \$272.6 million for fiscal 1997 from \$230.2 million for fiscal 1996. The increase in total revenues was primarily the result of a 14% increase in the average number of consultants and a 16% increase in the number of assignments in fiscal 1997.

North American total revenues increased \$23.7 million, or 21%, to \$135.2 million for fiscal 1997 from \$111.5 million for fiscal 1996. In the European region, total revenues grew 13% to \$77.5 million in fiscal 1997 from \$68.9 million in fiscal 1996. Asia/Pacific total revenues increased \$4.6 million, or 15%, to \$34.5 million in fiscal 1997 from \$29.9 million in fiscal 1996. Latin America total revenues increased \$5.4 million, or 27%, to \$25.3 million in fiscal 1997 from \$19.9 million in fiscal 1996. The average number of consultants grew in each region, particularly in Asia/Pacific where the Company opened five new offices in fiscal 1997. In addition, the Company experienced strong growth in the number of assignments in each region except for Europe. Revenue growth in Europe and Latin America was also positively impacted by increases in total revenues per assignment for fiscal 1997 as compared to fiscal 1996.

Interest income and other income decreased \$1.8 million to \$2.9 million in fiscal 1997 from \$4.8 million in fiscal 1996. This decrease was primarily attributable to additional income associated with the earnings and gain on sale of an interest in an affiliate in fiscal 1996. See "Certain

Compensation and Benefits

Compensation and benefits increased \$26.1 million, or 19%, to \$166.9 million in fiscal 1997 from \$140.7 million in fiscal 1996. This increase was primarily attributable to a 14% increase in the average number of consultants of 274 in fiscal 1996 to 311 in fiscal 1997. As a percentage of net revenues, fiscal 1997 and fiscal 1996 compensation and benefits were constant at 64%.

General and Administrative Expenses

General and administrative expenses increased \$8.6 million, or 13%, to \$73.0 million in fiscal 1997 from \$64.4 million in fiscal 1996. This increase was primarily related to an increase in occupancy and office expenses, including depreciation and leasehold amortization expense, attributable to the opening of net four new offices in fiscal 1997. As a percentage of net revenues, general and administrative expenses decreased from 29% in fiscal 1996 to 28% in fiscal 1997.

Operating Profit

Operating profit increased \$4.2 million to \$20.6 million in fiscal 1997 from \$16.3 million in fiscal 1996. As a percentage of net revenues, operating margin increased to 8% in fiscal 1997 from 7% in fiscal 1996. This increase was primarily attributable to the decrease in general and administrative expenses as a percent of net revenues in fiscal 1997 as compared to fiscal 1996. Operating profit contributed by North America increased to 67% from 48% in fiscal 1996 while the contributions of the other regions declined. The European region experienced the largest decrease from 8% in fiscal 1996 to a negative contribution of 4% in fiscal 1997. Operating profit contributed by the Asia/Pacific and Latin American regions during fiscal 1997 declined from 19% to 17% and from 25% to 20%, respectively, compared to the same period of the prior year.

Interest Expense

Interest expense decreased \$0.4 million to \$3.3 million in fiscal 1997 from \$3.7 million in fiscal 1996. This decrease was primarily attributable to lower average outstanding principal amounts on notes payable to shareholders that more than offset the effect of higher borrowings under COLI policies.

Provision for Income Taxes

The provision for income taxes increased \$3.4 million to \$6.7 million in fiscal 1997 from \$3.3 million in fiscal 1996. The effective tax rate was 39% for fiscal 1997 as compared to 26% in fiscal 1996. The lower effective tax rate in fiscal 1996 was due primarily to an increase in foreign tax credits that resulted in a reduction in the income tax provision of \$1.5 million.

Non-controlling Shareholders' Interests

Non-controlling shareholder interests remained unchanged at \$1.6 million in fiscal 1997 and fiscal 1996.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents selected financial information as of the end of the past three fiscal years and the first quarter of fiscal 1999:

	AS OF APRIL 30,			JULY 31,
	1996	1997	1998	1998
	(IN THOUSANDS)			(UNAUDITED)
Working capital.....	\$22,006	\$20,051	\$26,573	\$23,124
Line of credit.....	--	3,000	--	10,500
Total long-term debt, net of current				

maturities.....	3,922	3,206	6,151	6,928
Borrowings under life insurance policies.....	30,305	32,278	37,638	38,545

The Company finances operating expenditures primarily through cash flows from operations and maintains a line of credit to manage timing differences between cash receipts and disbursements. During fiscal 1996, 1997

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and 1998, cash provided by operating activities was \$8.3 million, \$10.2 million and \$18.5 million, respectively. During the three months ended July 31, 1997 and 1998, cash used in operating activities was \$10.2 million and \$19.5 million, respectively. The use of cash for operations in the first three months of fiscal 1998 and 1999 is due primarily to payment of bonuses accrued at each prior fiscal year end. As of July 31, 1998, the Company maintained a line of credit in the approximate amount of \$16 million of which \$5 million expired on September 30, 1998. The Company is currently in the process of re-evaluating its credit requirements, and banking arrangements. Outstanding borrowings under this facility were \$10.5 million at July 31, 1998 and bear interest at various rates based on the bank's prime lending rate less 0.5%.

Capital expenditures totaled approximately \$8.1 million, \$8.5 million, \$9.9 million for fiscal 1996, 1997 and 1998, respectively, and \$1.7 million and \$2.5 million for the three months ended July 31, 1997 and 1998, respectively. These expenditures consisted primarily of upgrades to information systems, purchases of office equipment and leasehold improvements. The Company expects to maintain capital expenditures in fiscal 1999 at the fiscal 1998 level to support office expansion and technology investments. In addition, the Company plans to install a new financial system in calendar year 1999 at an expected cost of approximately \$10 million.

Included in cash flows from investing activities are premiums paid on COLI contracts. The Company purchases COLI contracts to provide a funding vehicle for anticipated payments due under its deferred executive compensation programs. Premiums on these COLI contracts were \$8.6 million, \$7.9 million, \$12.4 million in fiscal 1996, 1997 and 1998, respectively, and \$1.2 million and \$1.4 million for the three months ended July 31, 1997 and 1998, respectively. Generally, the Company borrows against the cash surrender value of the COLI contracts to fund the COLI premium payments. In fiscal 1996, the Company invested \$5.3 million of cash proceeds from borrowings against COLI contracts in excess of premium payments in guaranteed investment contracts. In fiscal 1997 and 1998, net redemptions of guaranteed investment contracts were \$1.8 million and \$1.9 million respectively and there were no net redemptions in the three months ended July 31, 1997 and 1998.

On May 1, 1998, the Company acquired the assets and liabilities of Didier Vuchot & Associates in France for approximately \$6 million in cash, notes and mandatorily redeemable stock of a subsidiary of the Company. On June 1, 1998, the Company acquired all of the outstanding shares of two firms in Switzerland in a combined transaction for \$3.6 million payable in cash, notes and mandatorily redeemable common stock of the Company. The acquisitions resulted in a net cash outflow of \$1.3 million, comprised of a \$2.5 million cash payment offset by \$1.2 million of cash acquired.

Cash provided by financing activities was approximately \$11.1 million during the three months July 31, 1997 and 1998, including borrowings under COLI contracts of \$0.5 million and \$0.9 million respectively, and proceeds from sales of common stock of the Company to newly hired and promoted consultants and payments on the related promissory notes of \$2.1 million and \$1.3 million, respectively. Additionally, the Company paid \$1.2 million to repurchase common stock of the Company in the three months ended July 31, 1998.

During fiscal 1998, cash provided by financing activities was approximately \$9.2 million, which included borrowings under COLI contracts of \$5.4 million, proceeds from sales of Common Stock to newly hired and promoted consultants and payments on the related promissory notes of \$6.6 million. During fiscal 1997, cash provided by financing activities was approximately \$4.4 million, consisting primarily of proceeds from sales of Common Stock to newly hired and promoted consultants and payments on the related promissory notes of \$5.6 million, repurchases of Common Stock and payments on the related notes

payable of \$3.7 million and borrowings against COLI contracts of \$2.0 million. During fiscal 1996, cash of \$13.6 million was provided by financing activities consisting principally of proceeds from borrowings under COLI contracts of \$12.9 million. In fiscal 1996, issuances and purchases of Common Stock and payments on the related notes receivable and notes payable were \$5.7 million and \$2.5 million, respectively.

Borrowings under life insurance policies were \$30.3 million, \$32.3 million, \$37.6 million and \$38.5 million as of April 30, 1996, 1997, 1998 and July 31, 1998, respectively. Such borrowings are secured by the cash surrender value of the life insurance policies, do not require principal payments and bear interest at various variable rates.

QUARTERLY RESULTS

The following table sets forth certain unaudited statement of operations data for the quarters in fiscal 1997, 1998 and 1999. The unaudited quarterly information has been prepared on the same basis as the annual financial statements and, in management's opinion, includes all adjustments necessary to present fairly the information for the quarters presented. Results for any previous fiscal quarter are not necessarily indicative of results for the full fiscal year or for any future fiscal quarter.

	Fiscal Quarters Ended:								
	1997			1998			1999		
	JULY 31	OCT. 31	JAN. 31	APR. 30	JULY 31	OCT. 31	JAN. 31	APR. 30	JULY 31

	(IN THOUSANDS)								
Total revenues.....	\$57,407	\$68,331	\$71,902	\$74,921	\$70,273	\$76,854	\$82,614	\$85,284	\$88,995
Net income.....	1,495	2,343	2,354	2,807	1,112	1,326	1,541	1,265	1,519

RECENTLY ISSUED ACCOUNTING STANDARDS

During 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires companies to report financial and descriptive information about its reportable operating segments in the interim and annual financial statements. It is effective for annual periods beginning after December 15, 1997 and will be adopted by the Company in fiscal 1999. It is not expected that the adoption of this standard will have any impact on the consolidated financial statements but may require additional footnote disclosure.

During 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits an amendment to FASB Statements No. 87, 88 and 106," which revises employers' disclosure requirements for pension and other postretirement plans. It does not change the measurement or recognition of costs and benefits provided by those plans. The standard is effective for fiscal years beginning after December 15, 1997, although earlier application is encouraged. Disclosures for earlier periods have been restated for comparative purposes. Adoption of this pronouncement is reflected in the accompanying consolidated financial statements (See Note 8).

During 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes new standards for reporting derivative and hedging information. The standard is effective for periods beginning after June 15, 1999 and will be adopted by the Company as of May 1, 2000. It is not expected that the adoption of this standard will have any impact on the consolidated financial statements nor require additional footnote disclosure since the Company does not currently utilize derivative instruments or participate in structured hedging activities.

GENERAL

Korn/Ferry International is the world's largest executive search firm and has the broadest global presence in the industry with 384 consultants based in 71 offices across 41 countries. The Company's premier global reputation, strong client relationships, senior-level search expertise, innovation and technological leadership provide Korn/Ferry with distinct competitive advantages. According to Kennedy Information, the Company has ranked first in revenues in the executive search industry for the last 19 years. Since fiscal 1993, the Company has generated compound annual revenue growth of 23%. In fiscal 1998, the Company had total revenues of \$315.0 million and performed over 5,870 assignments for more than 3,750 clients, including approximately 43% of the Fortune 500. Korn/Ferry's clients are many of the world's largest and most prestigious public and private companies, middle-market and emerging growth companies as well as governmental and not-for-profit organizations. The Company's clients include Atlantic Richfield Company, Chase Manhattan Corporation, Cemex, S.A., Diageo plc, Ford Motor Company, General Electric Company, Lucent Technologies Incorporated, Monsanto Company and United Technologies Corporation. Almost half of the searches performed by the Company in fiscal 1998 were for board level, chief executive and other senior executive officer positions. The Company has established strong client loyalty; more than 80% of the search assignments it performed in fiscal 1998 were on behalf of clients for whom it had conducted multiple assignments over the last three fiscal years.

The Company believes it is an innovator in the executive search industry and forward-thinking in addressing the fundamental transformation of the marketplace caused by the combined impact of advanced technology and the Internet. In anticipation of these changing industry dynamics, and in response to clients' demand for middle-management recruitment services, the Company recently established Futurestep, its Internet-based search service. Futurestep combines Korn/Ferry's search expertise with exclusive candidate assessment tools and the reach of the Internet to accelerate the recruitment of candidates for middle-management positions. Following Futurestep's introduction in southern California and selected North American markets beginning in May 1998, approximately 68,400 candidates worldwide have completed a detailed on-line profile with Futurestep and approximately 116,490 candidates have completed an initial registration. The Company and Futurestep have an exclusive alliance with The Wall Street Journal, the first of its kind in the industry. This alliance provides preferred print and on-line access to The Wall Street Journal's readers, advertisers and on-line users. The Company believes its investments in technology-based recruitment will enable it to expand its share of the middle-management recruitment market and to strengthen its leading industry position as new methodologies begin to be utilized in senior-level search.

Korn/Ferry is also an established and respected source of management research. For example, the Company's Annual Board of Directors Survey of the Fortune 1000, now in its 25th year, reports on the structure, policy and trends in America's corporate boardrooms and is recognized as one of the most comprehensive, long-term studies of boards available. The Company publishes similar surveys covering Australasia and Europe.

EXECUTIVE SEARCH INDUSTRY

Overview

According to Kennedy Information, worldwide executive search revenue grew at a 20% compound annual growth rate, from approximately \$3.5 billion in 1993 to \$7.3 billion in 1997. The executive search industry is separated into two distinct markets: retained search firms and contingency search firms.

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

Contingency search firms generally concentrate on searches for positions with annual compensation of \$150,000 or less. These firms are most commonly hired to fill middle and lower management positions of small to medium-sized companies. Unlike retained search firms, contingency search firms are compensated only when a position is filled. Accordingly, revenues generated by a contingency search firm typically are more volatile than revenues generated by a retained search firm. For this reason, contingency search firms often cannot invest as many resources as retained search firms in a search assignment. Contingency search firms typically charge a fee for their services equal to approximately one-third of the annual cash compensation for the position being filled.

The executive search industry is highly fragmented, consisting of approximately 4,000 retained and contingency search firms in 1997. According to Kennedy Information, the ten largest retained search firms accounted for only 11% of the global search industry in 1997. In 1997, more than 80% of retained search firms and approximately 90% of contingency search firms generated less than \$2 million each in annual revenues.

Industry Trends

The Company believes that a number of favorable trends will contribute to the continued growth of the executive search industry, including: (i) the globalization of business; (ii) the demand for managers with broader skills; (iii) the increasing outsourcing of recruitment functions; and (iv) the use of advanced technology to accelerate the identification and assessment of candidates. The Company believes it is well positioned relative to these key industry trends.

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

Korn/Ferry's Position. With 71 offices in 41 countries, the Company is well positioned to benefit from the growing management demands of companies worldwide. To address its clients' global needs, the Company has opened 14 new offices in the last three fiscal years, including those in Athens, Austin, Copenhagen, Istanbul, Lima, Philadelphia, Rio de Janeiro, Seoul, Shanghai, Tysons Corner (Virginia) and Wellington (New Zealand). By leveraging its extensive knowledge of the growing pool of local talent in each of the regions in which it operates, the Company is able to identify and place qualified candidates capable of effectively adapting to the local culture and successfully furthering the client's objectives. In addition, with the geographic expansion of advertised recruitment and Futurestep, the Company is leveraging its global network and search capabilities to meet the management recruitment needs of existing and potential clients.

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

Korn/Ferry's Position. To address client demand for managers with broader qualifications, the Company employs an integrated team approach to complete its searches. For each assignment, the Company is able to draw on its consultants' expertise in specific regions, industries and functions. The Company's specialty practice groups include advanced technology, consumer, energy, entertainment, fashion/retail, financial services, healthcare, industrial, not-for-profit/associations/education and professional services. Certain consultants also have in-depth expertise in searches for functional positions, such as members of boards of directors, chief executive officers, chief financial officers and chief information officers.

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

Korn/Ferry's Position. The Company believes that its premier reputation, leading global presence, strong client relationships, extensive senior-level search expertise, innovation and technological leadership position the Company well to benefit from the growth in outsourcing of recruitment functions. In addition, by providing senior-level to middle-management search services, the Company seeks to become a preferred provider of recruitment services for its clients across all levels of management. This goal is consistent with many clients' desire to reduce the number of vendors they have and to deepen relations with their preferred vendors. In order to serve its clients' global management search needs, the Company maintains one of the largest, most diverse and technologically innovative global databases of highly qualified candidates and provides geographic, industry and functional expertise.

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

Korn/Ferry's Position. Korn/Ferry has developed a state-of-the-art technology infrastructure, including a worldwide networked system and its proprietary software, Searcher, to increase the speed and quality of its service to its clients around the world. The Company's worldwide databases contain the profiles of over 1,000,000 executives and over 310,000 companies, allowing consultants to access a wide range of potential candidates globally. To capture the potential of the Internet, Korn/Ferry introduced Futurestep, which combines the reach of the Internet with the Company's search expertise and exclusive candidate assessment tools to evaluate and recruit executives for middle-management positions. Through Futurestep, the Company seeks to pre-build and update a large candidate inventory and thereby reduce the time required to perform a search. In addition, Futurestep's assessment tools can quickly and accurately evaluate a candidate's credentials and likelihood of integrating into a client's culture. The Company believes that many of Futurestep's assessment tools and Internet applications will have applicability to its senior-level search services.

GROWTH STRATEGY

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

Leverage Leadership in Senior-Level Search

The Company's leadership in senior-level search enables it to grow its business by increasing the number of search assignments it handles for existing clients. The Company also believes that there are significant opportunities to develop new clients by aggressively marketing its proven global search expertise. The Company

has adopted a structured approach to develop and build relationships with new and existing clients. Through its ten specialty practice groups and broad global presence, the Company maintains an in-depth understanding of the market conditions and strategic and management issues facing clients. Annually, the Company's regions, offices, individual consultants and specialty practice groups identify existing and prospective clients with substantial recurring needs for executive search services. The Company assembles teams of search consultants based on geographic, industry and functional expertise to focus on these accounts. The Company has also developed a number of major relationships with prestigious multinational companies and, in fiscal 1998, completed an average of 34 search assignments each for 20 major long-standing accounts.

Expand into the Middle-Management Market

In response to the growing client demand for middle-management recruitment, the Company is expanding its services to address this market. With its strong senior-level client relationships, advertised recruitment services and Futurestep, Korn/Ferry is well positioned to meet its clients' middle-management recruitment needs effectively and efficiently. By moving aggressively into this segment of the market, the Company believes it can strengthen its relationships with its existing clients, develop new clients and gain a competitive advantage in marketing complementary services.

Pursue Strategic Acquisitions

The Company will continue to make selected acquisitions that support its growth strategy, enhance its presence in key markets or otherwise complement its competitive strengths. According to Kennedy Information, the executive search industry is highly fragmented and consists of approximately 4,000 firms, the ten largest of which accounted for only 11% of the global executive search industry revenues in 1997. As the largest global executive search firm, the Company believes it has the resources to lead consolidation within the highly fragmented search industry. Since fiscal 1993, the Company has completed six acquisitions, including recent acquisitions in France and Switzerland.

Reinforce Technological Leadership

The Company has invested more than \$25 million over the past two fiscal years in the development of an advanced global technology infrastructure to increase the speed and quality of service to its clients. The Company's systems represent a strong competitive advantage, allowing its consultants to access information and communicate effectively with each other. As the executive search industry continues to grow and as more clients seek the assistance of search firms to fill middle-management positions, an advanced technology infrastructure has become an indispensable element of the search business.

Add New Complementary Services

The Company seeks to add new complementary services in response to specific client needs. For example, the Company developed Futurestep and has expanded its advertised recruitment services to address its clients' growing demand for effective middle-management recruitment. In addition, the Company is exploring complementary business opportunities, which could include recruitment outsourcing and human resources consulting. As attractive business opportunities are identified, the Company may capitalize on these opportunities through internal development, joint ventures or selected acquisitions.

SERVICES

Overview

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

Senior-Level Search Services

The Company's search services are typically used to fill senior-level positions, such as boards of directors, chief executive officers and other senior executive officers. Once the Company is retained by a client to conduct an executive search, the Company assembles a team comprised of consultants with geographic, industry and functional expertise. Korn/Ferry's search consultants serve as management advisors and work closely with the client in identifying, assessing and placing a qualified candidate. In fiscal 1998, the Company performed over 5,400 senior-level search assignments.

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

Once the position is defined, the research team identifies, through the use of the Company's proprietary databases and a number of key technology-based information sources, companies that are in related industries facing similar challenges and issues and that possess operating characteristics similar to those of the client. In addition, the team consults with its established network of sources to help identify individuals with the right backgrounds and personal abilities. These sources are a critical element in assessing the marketplace. The original list of candidates is carefully screened through phone interviews, video conferences or in-person meetings with the candidates. The client is then presented with four to five qualified candidates to interview. The Company, sometimes with the assistance of an independent third party, conducts reference checks throughout the process.

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

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

Advertised Recruitment Search Services

The Company's advertised recruitment search service uses print advertising in targeted publications to attract the most qualified candidates for management positions at all levels. Advertised recruitment search is appropriate when clients seek numerous qualified candidates from a broad universe of industries. The Company introduced its advertised recruitment search service in 1991, and currently offers it in 16 offices in Europe, Asia/Pacific and Latin America. In fiscal 1998, advertised recruitment was used for approximately 455 search assignments. The Company believes there are opportunities to expand the use of advertised recruitment in the U.S. and launched the service there in August 1998.

At the beginning of each advertised recruitment search engagement, teams comprised of consultants with specialized expertise in the appropriate industry and function gather information on the client's business, culture and the open position. The team creates the advertising campaign and advises the client on the most appropriate media for the campaign. Once the advertisement is finalized and published, the team reviews and screens all resumes received by the client and interviews qualified candidates. Based on these interviews and feedback from both the client and the candidates, the team produces a short list of top candidates for the client and prepares and

assembles detailed profiles and evaluation reports on each candidate. Consultants will advise and consult with clients throughout the negotiation process and provide input on competitive salary packages. Finally, the consultants will conduct final reference checks and follow up with both the client and the candidate to ensure a smooth transition of the hired candidate into the client's organization.

Internet-Based Search Services

Futurestep, operated through a subsidiary of the Company, combines the Company's extensive senior-level search expertise with exclusive candidate assessment tools and the reach of the Internet to recruit candidates for middle-management positions. Futurestep is fundamentally different from other Internet-based job placement services, which do not employ Futurestep's sophisticated filtering process or permit search professionals to interact with candidates and clients. One of the Company's passive minority investors in Futurestep is bill gross' idealab!, which has purchased approximately 9% of the outstanding capital stock of Futurestep.

Futurestep recognizes that loss in productivity as a result of middle-management vacancies is significant. By pre-building an inventory of qualified candidates prior to receiving a client assignment and by keeping that inventory current, Futurestep can quickly generate a select list of candidates, which should significantly reduce search cycle time.

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

When Futurestep receives a search assignment from a client, a preliminary list of candidates is selected from the Futurestep database and the most qualified are called by a Futurestep search consultant for further evaluation. The consultant schedules a 45-minute to one-hour video interview with selected candidates. The consultant then identifies the top candidates and provides the client with excerpts of the video-taped interviews and other background information for comparison. The Futurestep consultant typically organizes the client/candidate interviews, and advises and consults throughout the negotiation process to structure the final offer package and position responsibilities.

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

The Company and Futurestep have an exclusive alliance with The Wall Street Journal, the first of its kind in the industry. Companies that advertise positions through The Wall Street Journal have the option of retaining Futurestep for services ranging from resume evaluation to complete management of the recruitment process. Futurestep candidates have access to career-management advice through direct links with The Wall Street Journal's website, and candidates applying for positions advertised through The Wall Street Journal can register with Futurestep via direct links to Futurestep's website.

The alliance, which has an initial term through June 2001 with options for renewal, provides the Company with preferred advertising rates and requires the purchase of a minimum amount of print and on-line advertising. For each company and candidate referred to Futurestep by The Wall Street Journal, Futurestep is obligated to pay to The Wall Street Journal a small percentage of its fee. The Wall Street Journal, the Company and Futurestep have agreed not to promote competing services during the term of the agreement.

ORGANIZATION

Global Presence

The Company has 71 offices across 41 countries, organized into the following regions: North America, Europe, Asia/Pacific and Latin America. The Company's offices are staffed with consultants who possess an understanding of the local market, culture and management resources along with knowledge of the global issues facing clients.

The following table provides information relating to each region:

REGION	FISCAL 1998 REVENUES (IN MILLIONS)	NUMBER OF OFFICES AS OF APRIL 30, 1998	FISCAL 1998 AVERAGE NUMBER OF CONSULTANTS
-----	-----	-----	-----
North America.....	\$162.6	20	175
Europe.....	86.2	28	108
Asia/Pacific.....	34.8	14	46
Latin America.....	31.4	9	28

North America. The Company opened its first office in Los Angeles in 1969, and currently has 20 offices throughout the U.S. and Canada. The North America region has grown from \$75.8 million in revenues in fiscal 1994 to \$162.6 million in fiscal 1998. The Company has been ranked first among Hunt-Scanlon's top North American executive search firms since the statistics were first published in 1990. In fiscal 1998, the Company handled over 2,100 assignments in this region, with an average number of 175 consultants, including 120 vice presidents. In fiscal 1998, the firm opened new offices in Austin and Tysons Corner to focus on the high-growth companies located in these areas.

Europe. The Company opened its first European office in London in 1972 and currently has 28 offices throughout 22 countries in the region. The region has grown from \$37.9 million in revenues in fiscal 1994 to \$86.2 million in fiscal 1998. The Company handled over 2,000 assignments in fiscal 1998 in this region, with an average number of 108 consultants, including 72 vice presidents. In fiscal 1998, the region added new offices in Helsinki and Copenhagen. In fiscal 1999, the Company acquired a French firm and two Swiss firms, enhancing Korn/Ferry's market position in France and Switzerland, respectively.

Asia/Pacific. The Company opened its first Asia/Pacific office in Tokyo in 1973, and has built a 14-office network throughout 10 countries in the region, including the opening in fiscal 1997 of five new offices. The region has grown from \$13.9 million in revenues in fiscal 1994 to \$34.8 million in fiscal 1998. The Company handled over 750 assignments in fiscal 1998 in this region, with an average number of 46 consultants, including 30 vice presidents. The latest Economist Intelligence Unit report on Executive Search in Asia and Australia describes Korn/Ferry as the leading executive search firm in the region.

Latin America. The Company entered Latin America through its 1977 acquisition of a 49% interest in Hazzard & Associates, and the Company continues to conduct its operations in Mexico through three subsidiaries in which the Company holds a controlling minority interest. As of April 30, 1998, the Company operated a network of nine offices in seven countries covering the entire region. The region has grown from \$16.0 million in revenues in fiscal 1994 to \$31.4 million in fiscal 1998. The Company handled over 930 assignments in fiscal 1998 in this region, with an average number of 28 consultants, including 17 vice presidents. In fiscal 1998, the Company opened a new office in Rio de Janeiro. According to the Economist Intelligence Unit's latest report on Executive Search in the Americas, Korn/Ferry dominates the executive search market in Latin America.

Industry Specialization

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

PERCENTAGE OF FISCAL 1998 ASSIGNMENTS BY INDUSTRY SPECIALIZATION

Financial Services.....	21%
Industrial.....	15%
Advanced Technology.....	15%
Consumer.....	15%
Healthcare.....	11%
Professional Services.....	7%
Fashion/Retail.....	6%
Not-for-Profit/Associations/Education.....	4%
Energy.....	3%
Entertainment.....	3%

Functional Expertise

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

PERCENTAGE OF FISCAL 1998 ASSIGNMENTS BY FUNCTIONAL EXPERTISE

Board Level/CEO/Senior Executive and Financial Management.....	44%
Marketing and Sales.....	25%
Finance and Control.....	11%
Manufacturing/Engineering/Research and Development/Technology.....	9%
Human Resources and Administration.....	7%
Information Systems.....	4%

MARKETING

As the world's largest executive search firm, the Korn/Ferry International brand name is widely recognized at the senior executive level. The Company has traditionally marketed its services through its offices, regions and specialty practices. Futurestep markets its services to existing and prospective Korn/Ferry clients as well as through its alliance with The Wall Street Journal. To support Futurestep, which requires extensive marketing to attract qualified candidates to register in its database, the Company has launched a major campaign in southern California, including print, radio, television and on-line advertising and direct mail. The Company intends to replicate this campaign in other locations as Futurestep expands geographically.

responsible for profitability, with their compensation tied to meeting budgetary goals. Since one of the best marketing tools in a consultative business like executive search is referral, these managers are also accountable for maintaining the quality of the service to clients by making sure that each assignment meets the standards and practices set by the Company. Repeat business and referrals from satisfied clients and candidates are one of the primary sources of new business.

Consultants are also visible and active in their local communities and in key trade and business associations. The Company has implemented an aggressive global business development strategy. Specialty practice groups, regions, offices and individual consultants identify existing and prospective clients with substantial recurring needs. Teams, representing local market, industry and functional expertise, are charged with creating and implementing strategies for developing business with targeted companies and organizations.

The Company develops a large number of proprietary research reports in conjunction with leading universities and prestigious research institutions. These reports deal in-depth with a wide array of issues from corporate governance to global leadership to provide clients with thoughtful, provocative material that identifies current trends and permits clients to benchmark their practices against those of other companies. The Company also promotes its understanding of the industry, business and management challenges facing companies today by sponsoring major conferences and forums, such as its partnership with the World Economic Forum at Davos, speeches and presentations before major industry and management groups, roundtable discussions that bring senior executives together to focus on issues of interest, mailings of its studies and reports to selected companies and interviews with the major business and trade publications.

Executive search firms frequently refrain from recruiting employees of a client and possibly client divisions and affiliations for a specified period of time, typically extending for one to two years following the last assignment performed. The Company carefully manages the off-limits conditions to which it may agree with any client, limits the number of off-limits global agreements to a few major account relationships, and carefully defines the scope of any such agreement. Over the past few years, the executive recruiting profession as a whole has been narrowing the scope and shortening the timeframe of these agreements. See "Risk Factors--Off-Limits Agreements."

PROFESSIONAL STAFF

As of April 30, 1998, the Company had 263 vice presidents, 121 principals, 226 senior associates and associates and 195 researchers. The Company believes the high caliber and motivation of its professionals are critical factors to its success. The Company further believes it has been able to attract and retain some of the most productive search consultants (vice presidents and principals) as a result of its premier reputation, history of consultant equity ownership and its performance-based compensation program. The Company's vice presidents have an average of seven years' experience with the Company, 12 years in the search industry and 13 years in other industries. For a discussion of ownership of Common Stock by, and compensation of, such consultants, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Management--Liquidity Schedule."

Senior associates, associates and researchers support the efforts of the vice presidents and principals with candidate sourcing and identification, but do not generally lead an assignment. The Company has training and professional development programs and a high rate of internal promotions. Over the past three fiscal years, 55 associates have been promoted to principal and 68 principals have become vice presidents. Promotion to vice president is based on a variety of factors, including demonstrated superior execution and business development skills, the ability to identify solutions to complex issues, personal and professional ethics, a thorough understanding of the market, how to retain clients and how to develop repeat business, and the ability to help build effective teams. In addition, the Company has a program of recruiting experienced professionals into the Company. In fiscal 1998, the Company hired 27 vice presidents and 38 principals, most with either previous search backgrounds or strong specialty expertise.

The Company has not been a party to a collective bargaining agreement and considers relations with its employees to be good.

COMPETITION

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

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

FACILITIES

The Company leases all of its 71 office locations. The Company believes that its facilities are adequate for its current needs and that it will not have difficulty leasing additional space to accommodate its anticipated future needs.

INSURANCE

The Company maintains insurance in amounts and with such coverages and deductibles as it believes are appropriate and adequate. The principal risks that the Company insures against are professional liability, worker's compensation, personal injury, bodily injury, property damage and fidelity losses. There can be no assurance that the Company's insurance will adequately protect it from potential losses and liabilities. See "Risk Factors-- Employment Liability Risk."

LEGAL PROCEEDINGS

The Company is currently not a party to any litigation the adverse resolution of which, in management's opinion, would be likely to have a material adverse effect on the Company's business, financial position or results of operations. However, from time to time the Company has been and is involved in litigation incidental to its business.

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MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth the executive officers and directors of the Company.

NAME	CLASS (1)	AGE (2)	POSITION
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Richard M. Ferry(3).....		60	Chair of the Board President, Chief Executive
Michael D. Boxberger(3)....		51	Officer and Director
Windle B. Priem(3).....		60	Vice Chair, Chief Operating Officer and Director
Peter L. Dunn(3).....		53	Vice Chair, Corporate Secretary, General Counsel and Director

Elizabeth S.C.S. Murray(3).	n/a	42	Chief Financial Officer, Treasurer and Executive Vice President
Man Jit Singh.....	n/a	41	Vice President and Chief Executive Officer of Korn/Ferry International Futurestep, Inc.
Paul Buchanan-Barrow.....		53	Vice President and Director
Timothy K. Friar.....		39	Vice President and Director
Sakie Fukushima.....		48	Vice President and Director
Hans Jorda.....		41	Managing Director, Vice President and Director
Scott E. Kingdom.....		38	Managing Director, Vice President and Director
Raimondo Nider.....		57	Managing Director, Vice President and Director
Manuel A. Papayanopulos....		53	Managing Director, Vice President and Director
Michael A. Wellman.....		44	Managing Director, Vice President and Director
Young Kuan-Sing.....		49	Managing Director, Vice President and Director

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- (1) Denotes Board class of which the Director is a member. See "Description of Capital Stock--Certain Anti-Takeover Effects."
(2) As of August 15, 1998.
(3) Member of the Office of the Chief Executive.

Richard M. Ferry is founder of the Company and has been Chair of the Board since 1991 and a member of the Office of the Chief Executive since July 1998. He also serves on the Board of Directors of Avery Dennison Corp., Dole Food Company, Mellon 1st Business Bank, Mullin Consulting, Inc., Mrs. Fields' Original Cookies and Pacific Life Insurance Company.

Michael D. Boxberger has been the President and Chief Executive Officer of the Company since 1997 and a member of the Office of the Chief Executive since July 1998. He has been a Director of the Company since 1993. From 1995 to 1997 he was President of the Company and President-North America from 1991 to 1995. Mr. Boxberger joined Korn/Ferry in 1987 and has 17 years of executive search experience.

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

Peter L. Dunn has been a Vice Chair since 1997 and a member of the Office of the Chief Executive since July 1998. He has been a Director of the Company since 1992 and serves as the Company's General Counsel and Corporate Secretary. Mr. Dunn joined Korn/Ferry in 1980.

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

was the Chief Financial Officer of Hughes Communications, Inc., a subsidiary of Hughes Electronics Corporation. Prior to 1994, Ms. Murray served in the corporate offices of Hughes Electronics Corporation as Director of Planning.

Man Jit Singh has been a Vice President of the Company and President and Chief Executive Officer of Futurestep since December 1997. Previously, he was a principal of Sibson & Co. from 1996 to 1997, the Chief Executive Officer of Talent Tree Staffing Services and sector director of BET plc from 1994 to 1996, and Chief Executive Officer of The Cast Group AG from 1991 to 1994.

Paul Buchanan-Barrow has been a Vice President since 1992 and a member of the Board of Directors since 1994. He is currently responsible for the firm's Business Strategy Group throughout Europe. Mr. Buchanan-Barrow joined Korn/Ferry in 1992 and has twelve years of executive search experience.

Timothy K. Friar has been a Vice President since 1995 and a member of the Board of Directors since May 1998. Mr. Friar joined Korn/Ferry in 1993 as a senior associate and has seven years of executive search experience.

Sakie Fukushima has been a Vice President since 1993 and a member of the Board of Directors since 1995. Ms. Fukushima joined Korn/Ferry in 1991 as a principal and has seven years of executive search experience.

Hans Jorda has been a Vice President since 1994 and a member of the Board of Directors since 1996. He currently is the Managing Director for the Company's Middle European Region, including Austria, Germany and Switzerland, a role he assumed in 1996. From 1992 to 1994 he owned and managed the New Europe Consulting Group, an executive search company that the Company acquired in 1994, and has 14 years of executive search experience.

Scott E. Kingdom has been a Vice President since 1993, and a Member of the Board of Directors since May 1998. He has been the Managing Director of the Chicago and Minneapolis offices since 1995. Mr. Kingdom joined Korn/Ferry in 1988 and has 16 years of executive search experience.

Raimondo Nider has been a Vice President of the Company since 1989 and a member of the Board of Directors since 1996. He has been the Managing Director of Southern Europe since 1996. Mr. Nider joined Korn/Ferry in 1989 and has 23 years of executive search experience.

Manuel A. Papayanopulos has been a Vice President since 1982 and a member of the Board of Directors since 1997. Mr. Papayanopulos joined Korn/Ferry in 1982 and has 24 years of executive search experience.

Michael A. Wellman has been a Vice President since 1992 and a member of the Board of Directors since 1997. From 1995 to 1998 he was the Managing Director of the New York office. Since July 1998, he has been Managing Director of the Northeast Region of the Company (Toronto, Boston, Stamford, Princeton, Philadelphia and New York). Mr. Wellman joined Korn/Ferry in 1992 and has 15 years of executive search experience.

Young Kuan-Sing has been a Vice President since 1988 and a member of the Board of Directors since 1996. He is currently the Managing Director for the ASEAN sub-region within Asia/Pacific and a member of the newly-formed Asia-Pacific Operating Group as well as the region's Business Strategy Group since July 1998. From 1995 to 1998 he was responsible for East Asia including China, Hong Kong, Thailand, Malaysia, Singapore and Indonesia. Prior to that he was Office Manager for the Company's Singapore office. Mr. Young joined Korn/Ferry in 1982.

The executive officers of the Company serve at the discretion of its Board of Directors. Each director of the Company serves until such director's successor is elected and qualified or until the director's death, retirement, resignation or removal.

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BOARD OF DIRECTORS

Upon consummation of the Offering, the Company will have thirteen Directors, all of whom are employees of the Company, and one vacancy on the Board of Directors. The Company intends to replace three employee-directors with four independent directors within 30 days of the consummation of the Offering. The Company's Board of Directors is divided into three classes serving staggered terms of three years each, with approximately one-third of the Company's Board of Directors being elected each year.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") has standing Audit, Compensation, Executive and Nominating Committees.

Audit Committee. After consummation of the Offering, the Board intends to reconstitute its audit committee (the "Audit Committee") to be comprised of at least two independent directors. The Audit Committee makes recommendations concerning the engagement of independent public accountants, reviews the plans and results of the audit engagement with the independent public accountants, approves professional services provided by the independent public accountants, reviews the independence of the independent public accountants, considers the

range of audit and non-audit fees and reviews the adequacy of the Company's internal accounting controls. The Audit Committee is also available to receive reports, suggestions, questions and recommendations from the independent public accountants, the Chief Financial Officer and the General Counsel. It also confers with those parties in order to assure the sufficiency and effectiveness of the programs being followed by corporate officers in the area of compliance with the law and conflicts of interest.

Compensation Committee. After consummation of the Offering, the Board intends to expand the membership of its compensation committee (the "Compensation Committee") to be comprised of at least two independent directors. The Compensation Committee determines the compensation of the Company's executive officers and administers the Performance Award Plan. The current executive officer salaries were set by the Board on May 1, 1998. The Compensation Committee has the responsibility for the compensation of the senior executives of the Company including salaries and benefits. The Compensation Committee also reviews and makes recommendations to the Board with respect to the Company's overall compensation program for directors and officers, including salaries, employee benefit plans, stock options granted, equity incentive plans and payment of bonuses. The composition of the current Compensation Committee was established in May 1998.

Executive Committee. The Executive Committee of the Board acts with all the authority of the Board as to those decisions within the Board's purview, and possesses all authority of the Board except as to those decisions requiring approval also of the Company's shareholders.

Nominating Committee. The nominating committee (the "Nominating Committee") recommends criteria to the Board for the selection of candidates to serve on the Board, evaluates all proposed candidates, recommends to the Board nominees to fill vacancies on the Board, and prior to the annual meeting of shareholders recommends to the Board a slate of nominees for election to the Board by the shareholders of the Company at the annual meeting. The Nominating Committee also seeks possible candidates for the Board and otherwise serves to aid in attracting qualified candidates to the Board.

DIRECTOR COMPENSATION

Following the Offering, the Company does not intend to pay additional remuneration to employees who also serve as directors. The Company will reimburse all directors for their out-of-pocket expenses incurred in connection with their duties as directors. Non-employee directors will receive an annual retainer of \$ in cash and \$ in cash for each regular or special meeting attended as well as annual stock option grants under the Performance Award Plan. See "--Benefit Plans--Performance Award Plan."

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OFFICE OF THE CHIEF EXECUTIVE

In July 1998, the Company announced the formation of an Office of the Chief Executive, consisting of Mr. Ferry and four senior executive officers, Messrs. Boxberger, Priem and Dunn and Ms. Murray. Concurrently, the duties of these officers were realigned and expanded. Mr. Priem is a Vice Chair and Chief Operating Officer. Mr. Dunn, Vice Chair, Corporate Secretary and General Counsel, is responsible for the Company's Corporate Development Group including new business ventures, such as Futurestep, and strategic planning, as well as having responsibility for the Company's information technology and legal departments. Ms. Murray, the Company's Chief Financial Officer and Treasurer, is also an Executive Vice President and is responsible for the corporate treasury, corporate performance standards, external reporting and information systems.

COMPENSATION DECISIONS AND INSIDER PARTICIPATION

In fiscal 1998, decisions concerning compensation of executive officers were made by the Company's Senior Executive Compensation Committee, consisting of Messrs. Buchanan-Barrow, as Chair, Edward Kelley, Nider, William Simon and Priem, with Messrs. Ferry and Peter Mullin, a compensation consultant, serving in advisory roles. The Senior Executive Compensation Committee will be reorganized as the Compensation Committee upon consummation of the Offering, review and approve the comprehensive compensation program for senior executives of the Company and review the salaries of executive vice presidents

and senior vice presidents, subject to the ratification of the salary programs established for the positions of Chair and the Chief Executive Officer by the Board acting as a whole.

EXECUTIVE COMPENSATION

The following table shows the compensation paid by the Company to the Chief Executive Officer and each of the Company's other three most highly compensated executive officers (collectively, the "Named Executive Officers"), all of whom are members of the Office of the Chief Executive, with respect to the fiscal year ended April 30, 1998.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		ALL OTHER COMPENSATION
	SALARY	BONUSES	
Richard M. Ferry.....			
Chair of the Board			
Michael D. Boxberger.....			
President and Chief Executive Officer			
Windle B. Priem.....			
Vice Chair and Chief Operating Officer			
Peter L. Dunn.....			
Vice Chair, Corporate Secretary and General Counsel			

BENEFIT PLANS

Performance Award Plan

In July 1998, the Company adopted the Performance Award Plan to provide a means to attract, motivate, reward and retain talented and experienced officers, non-employee directors, other key employees and certain other eligible persons (collectively, "Eligible Persons") who may be granted awards from time to time by the Company's Board of Directors or, if authorized, the Compensation Committee (such administrators, the "Committee"), or, for non-employee directors, under a formula provided in the Performance Award Plan. The maximum number of shares of Common Stock reserved for issuance is 7,000,000 subject to adjustment for certain changes in the Company's capital structure and other extraordinary events. Shares subject to awards that are not paid for or exercised before they expire or are terminated are available for other grants under the Performance Award Plan to the extent permitted by law. Shareholders of the Company approved the Performance Award Plan in August 1998.

The Committee intends to grant ten-year stock options for approximately _____ shares of Common Stock to eligible persons. The Named Executive Officers will receive option grants for such shares in the following amounts: Mr. Ferry (_____ shares); Mr. Boxberger (_____ shares); Mr. Priem (_____ shares); and Mr. Dunn (_____ shares). The exercise price of each option granted will be at the fair market value per share of Common Stock at the time of grant. Such options will vest in equal installments over five years.

Awards under the Performance Award Plan may be in the form of nonqualified stock options, incentive stock options, stock appreciation rights ("SARs"), limited SARs, restricted stock, performance shares, stock bonuses, or cash bonuses based on performance. Awards may be granted individually or in combination with other awards. Any cash bonuses and other performance awards under the Performance Award Plan will depend upon the extent to which performance goals set by the Board of Directors or the Committee are met during the performance period. Awards under the Performance Award Plan generally will be nontransferable by the holder of the award (a "Holder") (other than by will or the laws of descent and distribution). During the Holder's lifetime, rights under the Performance Award Plan generally will be

exercisable only by the Holder, subject to such exceptions as may be authorized by the Committee in accordance with the Performance Award Plan. No incentive stock option may be granted at a price that is less than the fair market value of the Common Stock (110% of fair market value of the Common Stock for certain participants) on the date of grant. Nonqualified stock options and other awards may be granted at prices below the fair market value of the Common Stock on the date of grant. Restricted stock awards can be issued for nominal or the minimum lawful consideration. Typically, the participant may vote restricted stock, but any dividend on restricted shares will be held in escrow subject to forfeiture until the shares have vested. No more than 350,000 shares will be available for restricted stock awards, subject to exceptions for restricted stock awards based on past service, deferred compensation and performance awards.

The maximum number of shares subject to awards (either performance or otherwise) that may be granted to an individual in the aggregate in any one calendar year is 1,050,000. A non-employee director may not receive awards in respect of more than 50,000 shares in the aggregate in any one calendar year. With respect to cash-based performance awards, no more than \$2.5 million per year, per performance cycle may be awarded to any one individual. No more than one performance cycle may begin in any one year with respect to cash-based performance awards.

Section 162(m) Performance-Based Awards. In addition to options and SARs granted under other provisions of the Performance Award Plan, performance-based awards payable in cash or shares within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended ("Performance-Based Awards"), which depend on the achievement of pre-established financial performance goals, may be granted under the Performance Award Plan. The specific performance goals will be set by a qualified committee of the Board created for these purposes and the specific targets will be set by the Committee when their attainment is substantially uncertain. The permitted performance goals under the Performance Award Plan may include any one or more of the following: revenue growth, net earnings (before or after taxes or before or after interest, taxes, depreciation and amortization), cash flow, return on equity, return on assets or return on net investment, or cost containment or reduction. The applicable performance cycle may not be less than one nor more than seven years (five years in respect of such awards payable only in cash).

Administration. The Performance Award Plan will be administered by the Board or the Committee. The Committee will have broad authority to (i) designate recipients of discretionary awards, (ii) determine or modify (subject to any required consent) the terms and provisions of awards, including the price, vesting provisions, terms of exercise and expiration dates, (iii) approve the form of award agreements, (iv) determine specific objectives and performance criteria with respect to performance awards, and (v) construe and interpret the Performance Award Plan. The Committee will have the discretion to accelerate and extend the exercisability or term and establish the events of termination or reversion of outstanding awards.

Change in Control. Upon a Change in Control Event, each option and SAR will become immediately exercisable; restricted stock will immediately vest free of restrictions; and the number of shares, cash or other

property covered by each performance share award will be issued to the Holder, unless the Committee determines to the contrary. A "Change in Control Event" is defined generally to include (i) certain changes in a majority of the membership of the Board over a period of two years or less, (ii) the acquisition of more than 30% of the outstanding voting securities of the Company by any person other than the Company, any Company benefit plan or one of their affiliates, successors, heirs, relatives or certain donees or certain other affiliates, or (iii) shareholder approval of a transfer of substantially all of the Company's assets, the dissolution or liquidation of the Company, or a merger, consolidation or reorganization (other than with an affiliate) whereby shareholders hold or receive less than 70% of the outstanding voting securities of the resulting entity after such event. In addition, if any participant's employment is terminated by the Company for any reason other than for cause either in express anticipation of, or within one year after a Change in Control Event, then all awards held by that participant will vest in full immediately before his or her termination date.

The Committee may also provide for alternative settlements (including cash payments), the assumption or substitution of awards or other adjustments in the Change in Control context of any other reorganization of the Company.

Plan Amendment, Termination and Term. The Company's Board has the authority to amend, suspend or discontinue the Performance Award Plan at any time, but no such action will affect any outstanding award in any manner materially adverse to a participant without the consent of the participant. The Performance Award Plan may be amended by the Board without shareholder approval unless such approval is required by applicable law.

The Performance Award Plan will remain in existence as to all outstanding awards until such awards are exercised or terminated. The maximum term of options, SARs and other rights to acquire Common Stock under the Performance Award Plan is ten years after the initial date of award, subject to provisions for further deferred payment in certain circumstances. No award can be made after the tenth anniversary of the date of the consummation of the Offering. Awards may remain exercisable for a period of time determined by the Committee after termination of employment for certain reasons, after which, to the extent not exercised, such awards terminate.

Automatic Grants to Non-Employee Directors. Under the Performance Award Plan, each director who is not an officer or employee (a "Non-Employee Director") and who is or thereafter becomes a director of the Company after the Offering will be automatically granted a nonqualified stock option to purchase 1,500 shares of Common Stock when the person takes office, at an exercise price equal to the market price of the Common Stock at the close of trading on that date (or, with respect to the Company's current directors, on the tenth trading day after completion of the Offering). In addition, on the day of the annual shareholders meeting in each calendar year beginning in 1999 and continuing for each subsequent year during the term of the Performance Award Plan, each then-continuing Non-Employee Director will be granted a nonqualified stock option to purchase 1,500 shares of Common Stock at an exercise price equal to the market price of the Common Stock at the close of trading on that date. Non-Employee Directors may also be granted discretionary awards. All automatically granted Non-Employee Director stock options will have a ten-year term and will be immediately exercisable. If a Non-Employee Director's services are terminated for any reason, any automatically granted stock options held by such Non-Employee Director that are exercisable will remain exercisable for twelve months after such termination of service or until the expiration of the option term, whichever occurs first. Automatically-granted options are subject to the same adjustment, change in control, and acceleration provisions that apply to awards generally, except that any changes or Board or Committee actions (1) will be effected through a shareholder approved reorganization agreement or will be consistent with the effect on Options held by other than executive officers and (2) will be consistent in respect of the underlying shares with the effect on shareholders generally. Any outstanding automatic option grant that is not exercised prior to a Change in Control Event in which the Company is not to survive will terminate, unless such option is assumed or replaced by the surviving corporation.

Payment for Shares. The exercise price of options and other awards may be paid in cash, promissory note or (subject to certain restrictions) shares of Common Stock. The Company may finance the exercise or purchase

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and (subject to any applicable legal limits) offset shares to cover the exercise or purchase price and withholding taxes.

Federal Tax Consequences. The current federal income tax consequences of awards authorized under the Performance Award Plan follow certain basic patterns. Generally, awards under the Performance Award Plan that are includable in income of the recipient at the time of award or exercise (such as nonqualified stock options, SARs, restricted stock and performance awards) are deductible by the Company, and awards that are not required to be included in income of the recipient at such times (such as incentive stock options) are not deductible by the Company.

Non-Exclusive Plan. The Performance Award Plan is not exclusive. The Board, under California law, may grant stock and performance incentives or other compensation, in stock or cash, under other plans or authority.

Employee Tax Deferred Savings Plan--401(k) Plan

The Company adopted a defined contribution 401(k) plan in 1984. Under the Company's 401(k) plan, U.S. employees who have been employed by the Company for over six months are eligible to make employee contributions in the following fiscal quarterly enrollment period, and become eligible for contributions by the Company. Employees must have worked at least 1,000 hours in a plan year (May 1 to April 30) to be eligible for the Company contribution.

The 401(k) plan allows employees to contribute a portion of their salary to their personal plan account ("Participant Savings Contributions") of up to 20% of their salary or the maximum employee contribution set by the Internal Revenue Service each year, whichever is less. Participants are always 100% vested in their own contributions, and any investment gains or losses therefrom. The 401(k) plan allows participants over the age of 59 1/2 to make withdrawals from the Company's 401(k) plan without penalty.

The 401(k) plan provides for discretionary employer contributions. Discretionary contributions (if any) up to 2% of an employee's salary (to a maximum of \$1,000) are first allocated to employees below the category of vice president. In addition, the Company may contribute any amount or it may decide not to contribute in a given Plan Year ("Employer Matching Contribution"). The Company's matching contribution vests over a period of six years in increments of 20% after the one year anniversary. The Company also has the option of making additional contributions to employees' accounts based upon a percentage of total compensation, including bonuses. An employee is eligible for these employer contributions for a plan year only if employed on the last day of the plan year.

WORLDWIDE EXECUTIVE BENEFIT PLANS: RETIREMENT PLAN; LIFE INSURANCE PLAN; AND DISABILITY PLAN

The Company's Worldwide Executive Benefit Plans ("WEB Plans") cover vice presidents of the Company. The benefits provided are intended to reward eligible employees for long term service and contributions to the firm and which are provided through a combination of local government benefits, local benefits provided by the Company, and specific WEB Plan's benefits. To be eligible to be a participant in a Company WEB Plan, an employee must be a vice president or more senior officer and a shareholder of the Company working at least 30 hours per week.

Retirement Plan. The Company's WEB-Retirement Plan provides a monthly benefit to eligible employees upon retirement from the Company. Each year, a plan participant accrues and is fully vested in one-twentieth of the targeted benefit, expressed as a percentage set by the Company for that year. Upon retirement, a participant receives a monthly benefit payment equal to the sum of the percentages accrued over such participant's term of employment, up to a maximum of 20 years, multiplied by such participant's highest average monthly salary during any 36 consecutive months of the final 72 months of active full-time employment. The WEB-Retirement Plan provides targeted retirement benefits through sources funded by the Company, government social security and retirement benefits and Company retirement programs provided by the eligible employee's local office.

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Life Insurance Plan. The Company's WEB-Life Insurance Plan provides financial security for the survivors of an eligible employee in the event of his or her death. The life insurance coverage provided is a targeted life insurance benefit of three times an eligible employee's base salary in the most tax efficient manner possible for participants. The WEB- Life Insurance Plan administers the life insurance benefits through sources funded by the Company, government provided survivor benefits and local life insurance programs and coverage provided by local carriers within an eligible employee's country.

Disability Plan. The Company's WEB-Disability Plan provides income to eligible employees and their families should an illness or injury cause an extended period of disability for an eligible employee. The plan's disability coverage provides a targeted disability benefit of 60% of an eligible employee's base salary (up to the maximum limit allowed by the insurance carrier). The WEB-Disability Plan provides the disability coverage through Company funded sources, government sponsored disability benefits, local

disability programs available for the Company and particular disability benefits under the plan.

ENHANCED WEALTH ACCUMULATION PLANS

The Company maintains two Enhanced Wealth Accumulation Plans (the "EWAPS"), one for its U.S. vice presidents and one for its non-U.S. vice presidents, which are identical in their material provisions. The EWAPS replaced the Company's earlier Wealth Accumulation Plans (the "WAPS") for vice presidents, although those participants within the Company's original WAPS who did not choose to roll their previous participation and deferrals or contributions into the EWAPS continue to be covered under the earlier version. The EWAPS offer a means for the Company to provide an additional future compensation package for certain vice presidents of the Company in order to reward long term service to the Company and retain key employees.

The EWAPS allow participants to elect to participate by deferring compensation initially or in some instances, making an after-tax contribution, for an eight-year period. Each deferral or contribution unit is for an eight-year period based on the calendar year, usually commencing on January 1. Participants may commence an additional deferral or contribution unit every five years during their participation in the EWAPS. Participants may elect to accelerate their deferrals or contributions but not increase the total amount. By choosing to participate in the EWAPS, a vice president opts by his or her participation to defer a portion of their compensation earned, in return for an annuity of a specified amount paid by the Company over a fifteen year period, upon retirement at age 65.

EWAP benefits begin to vest after five years; vested benefits increase for each year of participation in excess of five years and vested benefits maximize at 15 years or at age 65 with a minimum participation of eight years. The payments for vested EWAP benefits generally commence when a participant is age 65 or retires. If a participant chooses to retire from the Company's service prior to reaching the age of 65, he or she is eligible for an "early retirement benefit" as to which his or her normal monthly EWAPS benefits are proportionately reduced in accordance with his or her early retirement, to be adjusted for each month a participant retires prior to the age of 65. To be eligible for an early retirement benefit, the participant must have completed at least 15 years of service with the Company and also have completed eight years of service with the Company while enrolled in that contribution unit. An early retiree may also choose to delay payment of EWAPS benefits until age 65 and accordingly incur no reduction of benefits to be paid. EWAPS participants who terminate their service with the Company after five or more years of participation in a deferral or contribution unit and prior to a normal retirement age of 65 or early retirement date are eligible for an "incentive benefit" from the Company. However, if a participant becomes employed as an executive search consultant or obtains employment in any capacity for any other executive search firm within two years after termination of employment with the Company, any early retirement or incentive benefit is forfeited. Payment of the incentive benefit by the Company is in monthly installments, commencing at age 65, of a payment amount equal to the normal benefit payment, to be paid for the same number of years a participant participated within a deferral or contribution unit up to a maximum of 15 years. An incentive benefit recipient may also elect to receive a lump sum payment in lieu of monthly payments, equal to their previous deferrals or contribution plus interest.

If a participant dies and is eligible for normal retirement benefits prior to receiving his or her full benefits, his or her beneficiary is entitled to receive such payments. Additionally, a deceased participant's spouse, if any, may receive an additional survivor's benefit to be paid for a specified period of time, following the termination of the normal EWAPS benefit payments. Disability benefits payments are payable to a participant within the plan, but only with respect to his or her first deferral or contribution unit completed. There are no disability benefits associated with additional deferral or contribution units completed by a participant. If a participant becomes disabled, as defined in the EWAPS, the Company will pay monthly disability benefits to the participant in an amount equal to one-twelfth of the amount per annum specified as the disability benefit for the participant's initial deferral or contribution unit, until the age of 65, or until the attainment of a later age for persons whose disability begins after age 61. A participant receiving disability benefit payments is still eligible for all normal

retirement benefits, early retirement benefits and survivor benefits under the EWAPS.

SENIOR EXECUTIVE INCENTIVE PLANS

The Company provides for its vice presidents two Senior Executive Incentive Plans (the "SEIPS"), one for its U.S. executives and one for its non-U.S. executives, which are identical in their material provisions. The Board of Directors approves eligibility for senior executives' participation in the SEIPS. Additionally, a senior executive must be participating in the Company's EWAPS to be eligible to participate in the SEIPS, unless such requirement is waived by the Board of Directors. The SEIPS provide additional future compensation to the selected executives to promote the retention of valuable employees of the Company.

The SEIPS operate by allowing vice presidents of the Company to participate in a "benefit unit" whereby a participant elects to reduce the amount of compensation or in some instances make an after-tax contribution otherwise earned and payable during a four year period. The interest credited on deferrals ("benefit unit") upon termination of employment vests over a ten-year period at which time the participant receives monthly benefit payments made by the Company over a fifteen-year period.

A participant may choose to receive the SEIPS incentive benefit payments prior to the normal benefit payment date, with a corresponding reduction in the amount to be paid, upon (i) the retirement of a participant after attaining age 65, (ii) the deferrals required for the benefit unit having been completed and (iii) completion by a participant of at least four years of service post enrollment in the benefit unit. If a participant dies prior to receiving all incentive benefit payments, the beneficiary is entitled to receive the remaining payments.

EXECUTIVE SALARY CONTINUATION PLAN

The Company's Executive Salary Continuation Plan (the "ESCP") is no longer an active plan, and as such there are a limited number of Company vice presidents who remain participants within the plan. The ESCP provides vice presidents of the Company with an additional salary payment of \$7,000 per annum for the five-year period following their retirement from service with the Company. Additionally, in the event of death of a vice president prior to retirement, the ESCP provides that the family of the deceased vice president will receive an estate and family benefit of \$10,000 per annum, to be paid for a total of ten years to the vice president's surviving family. No benefits under the plan are vested and should a vice president be terminated prior to retirement, no benefits under the plan are payable. All plan benefits are taxed as income to the recipients when received.

EXECUTIVE PARTICIPATION PROGRAMS

Executive Participation Program

Prior to the Offering and since 1991, the Company maintained two Executive Participation Programs for executives located in the U.S. and one for executives located outside of the U.S., also known as the Company's "Equity Participation Program" (together, the "EPP"). The EPP historically provided the opportunity for select executives of the Company to purchase shares of Common Stock. However, in anticipation of the Offering, the Company has ceased enrollment of executives in the EPP. Most of the Company's vice presidents are participants in the EPP. The EPP permitted executives to purchase Common Stock either for cash or a promissory note

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payable to the Company. Historically, shares of Common Stock were sold at book value, subject to the execution by EPP participants of an agreement which required the Company to purchase such shares at book value upon termination of the participant's employment with the Company.

Supplemental Equity Participation Plan

Persons promoted to vice president and other persons hired as vice presidents of the Company between May 2, 1998 and the filing of the Company's Registration Statement with the Securities and Exchange Commission in connection with the Offering ordinarily would have become eligible to purchase

shares of Common Stock under the EPP, as described above. However, in anticipation of the Offering, the Company adopted the Supplemental Equity Participation Plan (the "Supplemental EPP") and issued shares of Common Stock to these persons at fair market value, appraised as of June 30, 1998. The Supplemental EPP also includes the Liquidity Schedule, as described below. The Company has ceased enrollment of executives in the Supplemental EPP as of August 17, 1998.

AMENDED STOCK REPURCHASE AGREEMENT

Substantially all of the shareholders of the Company have entered into an agreement (a "Stock Repurchase Agreement") with the Company that generally requires the Company to repurchase the shares of Common Stock owned by the shareholder at book value, typically upon termination of the shareholder's employment with the Company. In connection with the Offering, each shareholder of the Company who has entered into a Stock Repurchase Agreement will have the opportunity to enter into an Amended Stock Repurchase Agreement (the "Amended Repurchase Agreement"), whether their original Stock Purchase Agreement was entered into outside of the EPP or in connection with the EPP. The Amended Repurchase Agreements will become effective upon the consummation of the Offering and will incrementally lift restrictions on sale of the shares of Common Stock subject to the Amended Repurchase Agreement over time (the "Liquidity Schedule"). See "--Liquidity Schedule." Each shareholder who executes an Amended Repurchase Agreement will be permitted to sell shares of Common Stock pursuant to the Liquidity Schedule; those shareholders who do not sign an Amended Repurchase Agreement with the Company will continue to be obligated to sell their shares of Common Stock back to the Company at book value under the terms of their original Stock Repurchase Agreement.

The Amended Repurchase Agreement will also permit the Company to call, on a non-prorata basis, some or all of the shares of Common Stock, held both within and outside the EPP, which remain restricted from sale pursuant to the Liquidity Schedule at (i) the book value as of April 30, 1998, plus interest at 8.5% per annum from that date, in the case of shares acquired at book value, or (ii) the value appraised as of the most recent appraisal date preceding the date of purchase, plus interest at 8.5% per annum from the appraisal date, in the case of shares acquired at the appraised value. Shares may be called by the Company if the individual shareholder engages in conduct or acts detrimental to the Company, as determined by the Company, including, without limitation, (i) affiliation with a competitor or development of, or contribution to, a competing enterprise, (ii) the disclosure of confidential Company information to an unauthorized third party, or (iii) conviction of a felony or other crime involving fraud, dishonesty or acts of moral turpitude. Each shareholder accused of such conduct and with respect to whom the Company wishes to exercise its call rights may appeal to the Chair of the Board and to a committee of the Board of Directors composed of three directors, at least two of which are outside directors (the "Equity Committee"). Any such shareholder who is found to have engaged in such conduct or act will be given 30 days to cure such conduct or acts, if a cure is possible.

Additionally, the Company is permitted to call, on a non-prorata basis at the call price described above, up to 10% of all outstanding shares of Common Stock which would otherwise become transferable at a future date under the Liquidity Schedule, with the proviso that such option may not be exercised more than once during any two-year period, if the Equity Committee of the Board of Directors, in its discretion, deems such repurchase to be appropriate based on the existing market conditions for shares of Common Stock or on the Company's recent financial performance. The Company's right to call shares of Common Stock applies only to shares of Common Stock subject to the Liquidity Schedule.

LIQUIDITY SCHEDULE

Substantially all of the Company's existing shareholders have agreed to be subject to the Liquidity Schedule. Following the Offering and prior to the second anniversary of the Offering, all shareholders subject to the Liquidity Schedule will be restricted from selling any of their current Common Stock holdings. The Liquidity Schedule limits shareholders' ability to sell more than 20%, or 30% if they have not participated in the Offering, of their current aggregate Common Stock holdings until the second anniversary of the Offering. The Liquidity Schedule also limits shareholders' ability to sell an additional 20% of their current aggregate Common Stock holdings until on or

after the third anniversary of the Offering and limits their ability to sell more than half of their shareholdings until on or after the fourth anniversary of the Offering, when restrictions will cease. Upon the death of the shareholder, the Liquidity Schedule will cease to apply and all of the shareholder's Common Stock which were still subject to the Liquidity Schedule will become transferable.

EMPLOYMENT AGREEMENTS

The Company has a policy of requiring all its vice presidents to enter into a standard form of employment agreement that provides for an annual base salary and discretionary and incentive bonus payment. The Company also requires its vice presidents to agree in their employment contract not to compete with the Company both during the term of their employment with the Company, and also for a period of one to two years after their employment with the Company.

INDEMNIFICATION AND LIMITATION OF LIABILITY OF DIRECTOR AND EXECUTIVE OFFICERS

The Company's Articles contain provisions that eliminate the personal liability of its directors for monetary damages arising from a breach of their fiduciary duties in certain circumstances to the fullest extent permitted by California law. Such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission.

The Company's Bylaws provide that the Company shall indemnify its directors and officers and may indemnify its other employees and agents to the fullest extent permitted by law. The Company's Bylaws also permit the Company to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether the Bylaws would permit indemnification.

The Company has entered, or plans to enter, into agreements to indemnify its directors and officers, in addition to the indemnification provided for in the Company's Bylaws. These agreements, among other things, indemnify the Company's directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person's services as a director or executive officer of the Company, any subsidiary of the Company or any other company or enterprise to which the person provides services at the request of the Company. The Company believes that these provisions and agreements are necessary to attract and retain qualified directors and executive officers.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification will be required or permitted. The Company is not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

CERTAIN TRANSACTIONS

ADDITIONAL REDEMPTION AMOUNTS

In fiscal 1995, certain shareholders of the Company (the "Sellers"), at the request of the Company, agreed to have certain of their shares of Common Stock redeemed by the Company in a fixed redemption plan initiated by the Company (the "Redemption"). The Redemption required that any shareholder whose aggregate ownership of Common Stock, phantom units or stock appreciation rights exceeded a certain share level have a portion of his holdings redeemed. The Sellers then agreed to the Redemption, which served as a benefit to the Company in achieving a more widely held equity ownership as well as an elimination of holdings by non-employee shareholders.

The redemption price consisted of (i) a fixed amount of \$1.82 per share (the "Fixed Redemption Amount"), which represented the book value of a share of Common Stock as of year end fiscal 1994, plus 10% to reflect appreciation on the book value from the end of fiscal 1994 to the date of the redemption, (ii) a contingent amount (the "Additional Redemption Amount") equal to the difference between (a) the Fixed Redemption Amount plus 8.5% accrued interest and (b) the public offering price per share of the Common Stock and (iii) one share of Series A Preferred Stock for each 100 shares of Common Stock

redeemed. The Fixed Redemption Amount consisted of 16 2/3% cash, with the balance in the form of a five-year promissory note. The aggregate Additional Redemption Amount is determined by multiplying the difference described under item (ii) above by the number of shares redeemed by the Company from each holder of redeemed shares. The Additional Redemption Amount is payable if the Company consummates an extraordinary transaction, including a public offering of the Common Stock of the Company, at any time before December 31, 2004 and the Seller has not voluntarily terminated or been terminated for cause prior to the date of the extraordinary transaction.

The Series A Preferred Stock of the Company has a liquidation value of \$7.29 per share plus cumulative unpaid dividends at 8.5% per annum until redemption. Shares of Series A Preferred Stock have voting rights equivalent to 100 shares of Common Stock for each share outstanding, except that holders of Series A Preferred Stock must vote in favor of certain transactions approved by holders of two-thirds or more of the shares of Common Stock of the Company. The Series A Preferred Stock was designed to give the Sellers the voting power necessary to protect their rights to receive payment on the promissory note issued in the Redemption and the Additional Redemption Amounts. The Company may redeem all or any part of the outstanding Preferred Stock at the earlier of either (i) payment in full of all promissory notes of the Company issued in the Redemption or (ii) the approval of the holders of a majority of the shares of the Series A Preferred Stock.

Simultaneously with the Redemption, certain holders of phantom units and stock appreciation rights (the "Rights Holders") agreed to terminate their phantom units and stock appreciation rights in return for payments corresponding to the Fixed Redemption Amounts and the Additional Redemption Amounts.

Because a substantial amount of the proceeds from the Offering would have to be used to pay the aggregate Additional Redemption Amount payable upon an initial public offering, each of the Sellers and the Rights Holders have agreed to a negotiated discount (the "Negotiated Adjustment") from the Additional Redemption Amount they were originally entitled to receive upon an initial public offering. As a result, upon consummation of the Offering, if the Offering price is \$ per share, the midpoint of the range set forth on the cover of the Prospectus, the Sellers and the Rights Holders as a group will receive in the aggregate a payment of \$ and the Company's shareholders' equity will be reduced by the same amount. Mr. Windle B. Priem, a Director and Vice Chair and Chief Operating Officer of the Company will receive a discounted payment of approximately \$ million. Mr. Richard Ferry, the Chair of the Company's Board of Directors, will receive a discounted payment of approximately \$ million.

STRATEGIC COMPENSATION ASSOCIATES

The Company owned 47% of Strategic Compensation Associates ("SCA") during fiscal 1995 and 1996. During fiscal 1996, the Company paid approximately \$131,000 for services to SCA. In fiscal 1996, the Company

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sold its entire membership interest in SCA and a portion of its capital account interest in SCA, pursuant to purchase agreements executed with other members of SCA. The purchase agreements, as amended, provide for the members of SCA to purchase the Company's remaining capital account interest in five annual installments, with the last interest transfer and payment to be on December 31, 2001.

LOANS

On January 28, 1998, the Company and Mr. Boxberger entered into an agreement, whereby the Company agreed to be the co-obligor with Mr. Boxberger on a promissory note in the amount of \$1 million payable to Mellon 1st Business Bank, entered into by Mr. Boxberger for home loan purposes. The Company also agreed to pay all of the interest on the note for a four-year period ending January 15, 2002. The interest rate is payable at a variable rate at 0.5% below the bank's reference rate, which at the time of execution of the note was 8.5% per annum, resulting in an effective interest rate payable by the Company of 8% at the time of execution. Mr. Boxberger has entered into an agreement with the Company to indemnify and hold the Company harmless from any and all liability (except for the interest payment) that may

result from the Company being a co-obligor of the note. To secure any indemnification repayment, Mr. Boxberger has pledged to the Company all shares of Common Stock owned by him and provided the Company with a right to offset any unpaid indemnification owed to the Company from amounts owed by the Company to Mr. Boxberger.

TERMINATION OF STOCK RIGHT PLAN AND PHANTOM STOCK PLAN

In contemplation of the Offering, each of the Stock Right Plan and Phantom Stock Plan was terminated and each previous participant in either the Stock Right Plan or Phantom Stock Plan (the "Participants") was offered the opportunity to receive a cash payment of \$11.15 per phantom unit or stock appreciation right or receive shares of the Common Stock valued at the book value of a share of Common Stock as of April 30, 1998, which was approximately \$2.79 per share after giving effect to the 4-to-1 stock split. The Company had 275,954 phantom units and 114,356 stock appreciation rights outstanding as of June 30, 1998, the effective date of the surrender, termination and cancellation of all the outstanding phantom units and stock appreciation rights of the Company. With the exception of one, all Participants, including Messrs. Boxberger, Priem, Dunn, Kelley, Papayanopulos and Young, elected to receive shares of Common Stock in the conversion program and 1,511,008 shares were issued as of August 1, 1998.

FUTURE TRANSACTIONS

The Company has implemented a policy requiring that any material transaction with an affiliated party is subject to approval by a majority of the directors not interested in such transaction, who must determine that the terms of any such transaction are no less favorable to the Company than those that could be obtained from an unaffiliated third party and that the transaction is in the Company's best interest.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information about the beneficial ownership of the Common Stock as of , 1998, and as adjusted to reflect the sale of the Common Stock offered in the Offering, by (i) each director and each executive officer of the Company, (ii) all directors and executive officers of the Company as a group, and (iii) each person (or group of affiliated persons) known by the Company to own beneficially more than five percent of the Company's outstanding voting securities not otherwise listed. The address of each director and executive officer listed is in care of Korn/Ferry International, 1800 Century Park East, Suite 900, Los Angeles, California 90067.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		SHARES BENEFICIALLY OWNED AFTER THE OFFERING	
	NUMBER OF SHARES (1)	PERCENTAGE OFFERED	NUMBER	PERCENTAGE
Richard M. Ferry(2)(3)...		%		%
Michael D. Boxberger(2)...				
Windle B. Priem(2).....				
Peter L. Dunn(2).....				
Elizabeth S.C.S.				
Murray(2).....				
Man Jit Singh.....				
Paul Buchanan-Barrow.....				
Timothy K. Friar.....				
Sakie Fukushima.....				
Hans Jorda.....				
Scott E. Kingdom.....				
Raimondo Nider.....				
Manuel A. Papayanopulos...				
Michael A. Wellman.....				
Young Kuan-Sing.....				

All directors and executive officers as a group (15 persons) (3).....
Other Selling Shareholders(4).....

- -----
*Less than one percent

- (1) Unless otherwise indicated, each person has sole voting and dispositive power with respect to the shares shown.
- (2) Also an executive officer of the Company. See "Management--Executive Officers and Directors."
- (3) Excludes shares of Common Stock held by California Community Foundation & Richard M. Ferry Co-Trustee and shares of Common Stock held by The Ferry Family Charitable Foundation. Mr. Ferry does not have a beneficial interest in the shares of Common Stock held by such trusts, but does share voting power, as co-trustee, of the shares of Common Stock held by California Community Foundation & Richard M. Ferry Co-Trustee, and, as one of three trustees, of the shares held by The Ferry Family Charitable Foundation.
- (4) Holdings include shares of Common Stock held by the Trustees of the Korn/Ferry Employee Tax Deferred Savings Plan (401(k) Plan) for the benefit of the listed individual.
- (5) Consists of persons, none of whom owns more than 1% of the outstanding shares of Common Stock prior to or after the Offering and of which a substantial percentage are employees of the Company.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 150,000,000 shares of Common Stock, no par value per share, and 50,000,000 shares of Preferred Stock, no par value per share, which can be issued in one or more series. Immediately following the completion of the Offering, an aggregate of shares of Common Stock will be issued and outstanding (assuming no exercise of the over-allotment option), and no shares of Preferred Stock will be issued and outstanding. As of , 1998, the Common Stock is held of record by persons.

The following description of the Company's capital stock is a summary of the material terms of such stock. It does not purport to be complete and is subject in all respects to applicable California law and to the provisions of the Company's Articles and Bylaws, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part.

COMMON STOCK

Subject to the rights of the holders of any Preferred Stock which may be outstanding, each holder of Common Stock on the applicable record date is entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor, and, in the event of liquidation, to share pro rata in any distribution of the Company's assets after payment or providing for the payment of liabilities and the liquidation preference of any outstanding Preferred Stock. Each holder of Common Stock is entitled to one vote for each share held of record on the applicable record date on all matters presented to a vote of shareholders. Holders of Common Stock have no preemptive rights to purchase or subscribe for any stock or other securities and there are no conversion rights or redemption or sinking fund provisions with respect to such Common Stock. All outstanding shares of Common Stock are, and the shares of Common Stock offered hereby will be when issued, fully paid and non-assessable.

PREFERRED STOCK

The Company's Articles authorize 50,000,000 shares of Preferred Stock. The Board of Directors has the authority to issue the Preferred Stock in one or

more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the shareholders. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change in control of the Company without further action by the shareholders and may adversely affect the voting and other rights of the holders of Common Stock. The issuance of Preferred Stock with voting and conversion rights may adversely affect the voting power of the holders of Common Stock, including the loss of voting control to others. At present, the Company has no plans to issue any of the Preferred Stock.

CERTAIN ANTI-TAKEOVER EFFECTS

Certain provisions of the Company's Articles and Bylaws summarized below may be deemed to have anti-takeover effects and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider to be in such shareholder's best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders.

The Company's Articles authorize issuance of up to 50,000,000 shares of Preferred Stock, with such characteristics that may tend to discourage a merger, tender offer or proxy contest, as described in "--Preferred Stock" above. The Company's Bylaws also limit the ability of shareholders to raise certain matters at a meeting of shareholders without giving advance notice. In addition, so long as the Company is a "listed corporation" as defined in Section 301.5(d) of the California Corporations Code, cumulative voting will be eliminated and the Board of Directors will be divided into three classes having staggered terms of three years each, with Classes I, II and III having initial terms expiring at the annual general meeting of shareholders in 1999, 2000 and 2001, respectively. See "Risk Factors--Anti-Takeover Provisions; Possible Issuance of Preferred Stock" and "Management."

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TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is ChaseMellon Shareholder Services LLC.

LISTING

There is no public trading market for the Common Stock. Application will be made to list the Common Stock on the New York Stock Exchange ("NYSE") under the symbol "KFY."

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SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of Common Stock after the Offering could adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through the sale of its equity securities. Upon the consummation of the Offering, the Company will have outstanding _____ shares of Common Stock (_____ shares if the U.S. Underwriters' and Managers' over-allotment option is exercised in full). All of the shares of Common Stock sold in the Offering will be freely tradable under the Securities Act, unless purchased by "affiliates" of the Company as that term is defined under the Securities Act. Upon the expiration of lock-up agreements between the Company, its directors and officers, the existing shareholders and the Underwriters, which will occur 180 days after the date of this Prospectus (the "Effective Date"), all of the shares of Common Stock owned by existing shareholders (the "Restricted Shares") will become eligible for sale, subject to compliance with Rule 144 of the Securities Act and the Liquidity Schedule as described below.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), including an affiliate of the Company, who has beneficially owned Restricted Shares for at least one year, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: (i) 1% of the number of shares of Common Stock then outstanding (approximately _____ shares immediately after this Offering)

or (ii) the average weekly trading volume of the Common Stock on the NYSE during the four calendar weeks preceding the filing of a notice of Form 144 with respect to such sale with the Securities and Exchange Commission (the "Commission"). Sales pursuant to Rule 144 are subject to certain requirements relating to manner of sale, notice and availability of current public information about the Company. Under Rule 144(k), a person who is not, and has not been at any time during the 90 days preceding a sale, an affiliate of the Company and who has beneficially owned the Restricted Shares proposed to be sold for at least two years (including the holding period of any prior owner except an affiliate), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or noticed provisions of Rule 144.

Each of the Company and the existing shareholders of the Company has agreed that it will not offer, sell, contract to sell, announce its intention to sell, pledge or otherwise dispose of, directly or indirectly, and the Company has agreed that it will not file with the Commission a registration statement under the Securities Act relating to, any shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock without the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this Prospectus, except in the case of the Company for the grant of options and sales of shares under the Company's stock benefit plans. The lock-up agreements with Credit Suisse First Boston Corporation and the Company may be released at any time as to all or a portion of the shares subject to such agreements at the sole discretion of Credit Suisse First Boston Corporation and the Company.

Substantially all of the Company's existing shareholders have agreed to be subject to the Liquidity Schedule that limits their ability to sell their current Common Stock holdings. See "Management--Liquidity Schedule."

UNDERWRITING

Under the terms and subject to the conditions contained in an Underwriting Agreement dated _____, 1998 (the "U.S. Underwriting Agreement"), the underwriters named below (the "U.S. Underwriters"), for whom Credit Suisse First Boston Corporation, Donaldson, Lufkin & Jenrette Securities Corporation and PaineWebber Incorporated are acting as representatives (the "Representatives"), have severally but not jointly agreed to purchase from the Company and the Selling Shareholders the following respective numbers of U.S. Shares:

UNDERWRITER -----	NUMBER OF U.S. SHARES -----
Credit Suisse First Boston Corporation.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
PaineWebber Incorporated.....	

Total.....	====

The U.S. Underwriting Agreement provides that the obligations of the U.S. Underwriters are subject to certain conditions precedent and that the U.S. Underwriters will be obligated to purchase all of the U.S. Shares offered hereby (other than those shares covered by the over-allotment option described below) if any are purchased. The U.S. Underwriting Agreement provides that, in the event of a default by a U.S. Underwriter, in certain circumstances the purchase commitments of non-defaulting U.S. Underwriters may be increased or the U.S. Underwriting Agreement may be terminated.

The Company and the Selling Shareholders have entered into a Subscription Agreement (the "Subscription Agreement") with the Managers of the International Offering (the "Managers") providing for the concurrent offer and sale of the International Shares outside the United States and Canada. The closing of the U.S. Offering is a condition to the closing of the

International Offering and vice versa.

The Company has granted to the U.S. Underwriters and the Managers an option, exercisable by Credit Suisse First Boston Corporation, expiring at the close of business on the 30th day after the date of this Prospectus, to purchase up to additional shares at the initial public offering price, less the underwriting discounts and commissions, all as set forth on the cover page of this Prospectus. Such option may be exercised only to cover over-allotments in the sale of the shares of Common Stock offered hereby. To the extent such option is exercised, each U.S. Underwriter and each Manager will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares being sold to the U.S. Underwriters and the Managers as the number of U.S. Shares set forth next to such U.S. Underwriter's name in the preceding table and as the number set forth next to such Manager's name in the corresponding table in the prospectus relating to the International Offering bears to the sum of the total number of shares of Common Stock in such tables.

The Company and the Selling Shareholders have been advised by the Representatives that the U.S. Underwriters propose to offer the U.S. Shares in the United States and Canada to the public initially at the public offering price set forth on the cover page of this Prospectus and, through the Representatives, to certain dealers at such price less a concession of \$ per share, and the U.S. Underwriters and such dealers may allow a discount of \$ per share on sales to certain other dealers. After the Offering, the public offering price and concession and discount to dealers may be changed by the Representatives.

The public offering price, the aggregate underwriting discounts and commissions per share and per share concession and discount to dealers for the U.S. Offering and concurrent International Offering will be identical. Pursuant to an Agreement between the U.S. Underwriters and Managers (the "Intersyndicate Agreement")

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relating to the Offering, changes in the public offering price, concession and discount to dealers will be made only upon the mutual agreement of Credit Suisse First Boston Corporation, as representative of the U.S. Underwriters, and Credit Suisse First Boston (Europe) Limited ("CSFBL"), on behalf of the Managers.

Pursuant to the Intersyndicate Agreement, each of the U.S. Underwriters has agreed that, as part of the distribution of the U.S. Shares and subject to certain exceptions, it has not offered or sold, and will not offer or sell, directly or indirectly, any shares of Common Stock or distribute any prospectus relating to the Common Stock to any person outside the United States or Canada or to any other dealer who does not so agree. Each of the Managers has agreed or will agree that, as part of the distribution of the International Shares and subject to certain exceptions, it has not offered or sold, and will not offer or sell, directly or indirectly, any shares of Common Stock or distribute any prospectus relating to the Common Stock in the United States or Canada or to any other dealer who does not so agree. The foregoing limitations do not apply to stabilization transactions or to transactions between the U.S. Underwriters and the Managers pursuant to the Intersyndicate Agreement. As used herein, "United States" means the United States of America (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction, "Canada" means Canada, its provinces, territories, possessions and other areas subject to its jurisdiction, and an offer or sale shall be in the United States or Canada if it is made to (i) any individual resident in the United States or Canada or (ii) any corporation, partnership, pension, profit-sharing or other trust or entity (including any such entity acting as an investment adviser with discretionary authority) whose office most directly involved with the purchase is located in the United States or Canada.

Pursuant to the Intersyndicate Agreement, sales may be made between the U.S. Underwriters and the Managers of such number of shares of Common Stock as may be mutually agreed upon. The price of any shares so sold will be the public offering price, less such amount as may be mutually agreed upon by Credit Suisse First Boston Corporation, as representative of the U.S. Underwriters, and CSFBL, on behalf of the Managers, but not exceeding the selling concession applicable to such shares. To the extent there are sales between the U.S. Underwriters and the Managers pursuant to the Intersyndicate Agreement, the

number of shares of Common Stock initially available for sale by the U.S. Underwriters or by the Managers may be more or less than the amount appearing on the cover page of the Prospectus. Neither the U.S. Underwriters nor the Managers are obligated to purchase from the other any unsold shares of Common Stock.

This Prospectus may be used by underwriters and dealers in connection with sales of International Shares to persons located in the United States, to the extent such sales are permitted by the contractual limitations on sales described above.

The Representatives have informed the Company and the Selling Shareholders that they do not expect discretionary sales by the Underwriters to exceed 5% of the shares being offered hereby.

Each of the Company and the existing shareholders of the Company has agreed that it will not offer, sell, contract to sell, announce its intention to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Commission a registration statement under the Securities Act relating to, any shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of the Company without the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this Prospectus, except in the case of the Company for the grant of options and sale of shares under the Company's stock benefit plans.

The U.S. Underwriters have reserved for sale, at the initial public offering price, up to shares of Common Stock for employees, directors and certain other persons associated with the Company who have expressed an interest in purchasing such shares of Common Stock in the Offering. The number of shares available for sale to the general public in the Offering will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the U.S. Underwriters to the general public on the same terms as the other shares offered hereby.

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The Company and Selling Shareholders have agreed to indemnify the U.S. Underwriters and the Managers against certain liabilities, including civil liabilities under the Securities Act, or contribute to payments that the U.S. Underwriters and the Managers may be required to make in respect thereof.

Application will be made to list the shares of Common Stock on the NYSE under the symbol "KFY."

In connection with the listing of the Common Stock on the NYSE, the Underwriters will undertake to sell round lots of 100 shares or more to a minimum of 2,000 beneficial owners.

The initial public offering price for the shares will be determined by negotiation among the Company, the Selling Shareholders and the Representatives. In determining such price, consideration will be given to various factors, including market conditions for the initial public offering, the past history of and prospects for the Company's business, operations, earnings and financial position, an assessment of the Company's management, the market for securities of companies in businesses similar to those of the Company, the general condition of the securities markets and other relevant factors. There can be no assurance, however, that the initial public offering price will correspond to the price at which the Common Stock will trade in the public market subsequent to the Offering or that an active trading market will develop and continue after the Offering.

The Representatives, on behalf of the U.S. Underwriters and the Managers, may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934 (the "Exchange Act"). Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the Common Stock in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the Representatives to reclaim a selling concession from a syndicate member when the Common Stock originally sold by such syndicate member is purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate

covering transactions and penalty bids may cause the price of the Common Stock to be higher than it would otherwise be in the absence of such transactions. These transactions may be effected on the NYSE or otherwise and, if commenced, may be discontinued at any time.

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NOTICE TO CANADIAN RESIDENTS

RESALE RESTRICTIONS

The distribution of the Common Stock in Canada is being made only on a private placement basis exempt from the requirement that the Company and Selling Shareholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of Common Stock are effected. Accordingly, any resale of the Common Stock in Canada must be made in accordance with applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Common Stock.

REPRESENTATIONS OF PURCHASERS

Each purchaser of Common Stock in Canada who receives a purchase confirmation will be deemed to represent to the Company and Selling Shareholders and the dealer from whom such purchase confirmation is received that (i) such purchaser is entitled under applicable provincial securities laws to purchase such Common Stock without the benefit of a prospectus qualified under such securities laws, (ii) where required by law, that such purchaser is purchasing as principal and not as agent, and (iii) such purchaser has reviewed the text above under "--Resale Restrictions."

RIGHTS OF ACTION (ONTARIO PURCHASERS)

The securities being offered are those of a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by section 32 of the Regulation under the Securities Act (Ontario). As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the U.S. federal securities laws.

ENFORCEMENT OF LEGAL RIGHTS

All of the issuer's directors and officers as well as the experts named herein and the Selling Shareholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the issuer or such persons. All or a substantial portion of the assets of the issuer and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the issuer or such persons in Canada or to enforce a judgment obtained in Canadian courts against such issuer or persons outside of Canada.

NOTICE TO BRITISH COLUMBIA RESIDENTS

A purchaser of Common Stock to whom the Securities Act (British Columbia) applies is advised that such purchaser is required to file with the British Columbia Securities Commission a report within ten days of the sale of any Common Stock acquired by such purchaser pursuant to this offering. Such report must be in the form attached to British Columbia Securities Commission Blanket Order BOR #95/17, a copy of which may be obtained from the Company. Only one such report must be filed in respect of Common Stock acquired on the same date and under the same prospectus exemption.

TAXATION AND ELIGIBILITY FOR INVESTMENT

Canadian purchasers of Common Stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Common Stock in their particular circumstances and with respect to the eligibility of the Common Stock for investment by the purchaser under relevant Canadian Legislation.

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LEGAL MATTERS

The validity of the shares of the Common Stock offered hereby will be passed upon for the Company by O'Melveny & Myers LLP, Los Angeles, California and for the Underwriters by Sullivan & Cromwell, Los Angeles, California.

EXPERTS

The consolidated financial statements and schedule included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

AVAILABLE INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-1 (together with all amendments, exhibits, schedules and supplements thereto, the "Registration Statement"), of which this Prospectus forms a part, covering the Common Stock to be sold pursuant to the Offering. As permitted by the rules and regulations of the Commission, this Prospectus omits certain information, exhibits and undertakings contained in the Registration Statement. Such additional information, exhibits and undertakings can be inspected at and obtained from the Commission at prescribed rates at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at certain regional offices of the Commission located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 13th Floor, 7 World Trade Center, New York, New York, 10048. The Commission maintains a Web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, application will be made to list the Common Stock on the NYSE, and reports and other information concerning the Company may be inspected at the offices of such exchange. For additional information with respect to the Company, the Common Stock and related matters and documents, reference is made to the Registration Statement. Statements contained herein concerning any such document are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement. Each such statement is qualified in its entirety by such reference.

The Company will issue annual reports and unaudited quarterly reports to its shareholders for the first three quarters of each fiscal year. Annual reports will include audited consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States and a report of its independent public accountants with respect to the examination of such financial statements. In addition, the Company will issue such other interim reports as it deems appropriate.

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Consolidated Balance Sheets as of April 30, 1997 and 1998 and as of July 31, 1998 (unaudited)..... F-3

Consolidated Statements of Income for the fiscal years ended April 30, 1996, 1997 and 1998 and the three months ended July 31, 1997 and 1998 (unaudited)..... F-5

Consolidated Statements of Shareholders' Equity for the fiscal years ended April 30, 1996, 1997 and 1998 and the three months ended July 31, 1998 (unaudited)..... F-6

Consolidated Statements of Cash Flows for the fiscal years ended April 30, 1996, 1997 and 1998 and the three months ended July 31, 1997 and 1998 (unaudited)..... F-7

Notes to Consolidated Financial Statements..... F-8

After the stock split discussed in Note 14 to Korn/Ferry International's consolidated financial statements is effective, we expect to be in a position to render the following auditor's report.

Arthur Andersen LLP

Los Angeles, California

July 31, 1998

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of KORN/FERRY INTERNATIONAL AND SUBSIDIARIES (the "Company"), a California corporation, as of April 30, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended April 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KORN/FERRY INTERNATIONAL AND SUBSIDIARIES as of April 30, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 30, 1998, in conformity with generally accepted accounting principles.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	APRIL 30,		JULY 31,
	1997	1998	1998
	-----	-----	-----
			(UNAUDITED)
ASSETS			
Cash and cash equivalents.....	\$ 25,298	\$ 32,358	\$ 18,071
Receivables due from clients, net of allowance for doubtful accounts of \$3,846 and \$5,390 as of April 30, 1997 and 1998 and \$6,188 as of July 31, 1998, respectively.....	49,749	57,754	66,396
Other receivables.....	3,937	3,501	4,850
Prepaid expenses.....	5,758	6,265	7,289
	-----	-----	-----
Total current assets.....	84,742	99,878	96,606
	-----	-----	-----
Property and equipment:			
Computer equipment and software.....	13,259	13,715	15,889
Furniture and fixtures.....	10,673	13,573	12,914
Leasehold improvements.....	7,596	9,713	10,016
Automobiles.....	1,580	1,679	1,760
	-----	-----	-----
	33,108	38,680	40,579
Less: Accumulated depreciation and			

amortization.....	(15,361)	(17,583)	(18,970)
Property and equipment, net.....	17,747	21,097	21,609
Cash surrender value of company owned life insurance policies, net of loans.....	21,292	30,109	30,739
Guaranteed investment contracts.....	3,546	1,746	1,760
Notes receivable.....	2,781	2,308	2,354
Deferred income taxes.....	11,953	16,545	18,495
Goodwill and other intangibles, net of accumulated amortization of \$3,332 and \$4,182 as of April 30, 1997 and 1998 and \$4,421 as of July 31, 1998, respectively.....	4,364	2,972	4,963
Other.....	1,980	1,716	2,143
Total assets.....	\$148,405	\$176,371	\$178,669

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS--(CONTINUED)
(IN THOUSANDS)

	AS OF APRIL 30,		JULY 31,
	1997	1998	1998
			(UNAUDITED)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Notes payable and current maturities of long-			
term debt.....	\$ 5,072	\$ 2,559	\$ 13,329
Accounts payable.....	4,938	3,651	5,330
Income taxes payable.....	5,454	6,903	5,086
Accrued liabilities:			
Compensation.....	24,164	26,100	27,645
Payroll taxes.....	7,790	14,821	3,355
Other accruals.....	17,273	19,271	18,737
Total current liabilities.....	64,691	73,305	73,482
Deferred compensation.....	27,676	34,552	31,742
Long-term debt.....	3,206	6,151	6,928
Other.....	933	1,582	1,711
Total liabilities.....	96,506	115,590	113,863
Non-controlling shareholders' interests.....	1,087	2,027	1,346
Mandatorily redeemable common and preferred stock:			
Preferred stock, no par value			
Series A--Authorized 10 shares, outstanding 9 shares as of April 30, 1997 and 1998 and as of July 31, 1998 at redemption value.....	63	63	63
Series B--Authorized 150 shares, outstanding 126 and 121 shares as of April 30, 1997 and 1998 and as of July 31, 1998 at book value..	1,306	1,353	1,373
Common stock, no par value--outstanding 20,062 and 22,282 shares as of April 30, 1997 and 1998 and 25,669 shares as of July 31, 1998 at book value.....	52,159	62,110	72,340

Less: Notes receivable from shareholders and other unpaid shares.....	(5,339)	(7,365)	(12,911)
	-----	-----	-----
Total mandatorily redeemable common and preferred stock.....	48,189	56,161	60,865
	-----	-----	-----
Shareholders' equity:			
Common Stock, no par value--Authorized 150,000 shares, outstanding 1,010 and 920 shares as of April 30, 1997 and 1998 and 920 shares as of July 31, 1998 at book value....	--	--	--
Retained Earnings.....	2,623	2,593	2,595
	-----	-----	-----
Total shareholders' equity.....	2,623	2,593	2,595
	-----	-----	-----
Total liabilities and shareholders' equity.	\$148,405	\$176,371	\$178,669
	=====	=====	=====

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FISCAL YEAR ENDED APRIL			THREE MONTHS ENDED JULY 31,	
	30,				
	1996	1997	1998	1997	1998
	-----	-----	-----	-----	-----
	(UNAUDITED)				
Professional fees and reimbursable expenses..	\$225,459	\$269,624	\$311,016	\$ 69,714	\$ 87,938
Other income including interest income.....	4,758	2,937	4,009	559	1,057
	-----	-----	-----	-----	-----
Total revenues.....	230,217	272,561	315,025	70,273	88,995
Less: Reimbursable candidate expenses.....	(8,731)	(12,137)	(14,470)	(2,414)	(4,320)
	-----	-----	-----	-----	-----
Net revenues.....	221,486	260,424	300,555	67,859	84,675
	-----	-----	-----	-----	-----
Compensation and benefits.....	140,721	166,854	197,790	45,646	56,087
General and administrative expenses.....	64,419	73,005	84,575	18,119	24,199
Interest expense.....	3,683	3,320	4,234	1,011	1,245
	-----	-----	-----	-----	-----
Income before provision for income taxes and non-controlling shareholders' interests.....	12,663	17,245	13,956	3,083	3,144
Provision for income taxes.....	3,288	6,658	6,687	1,511	1,359
Non-controlling shareholders' interests.....	1,579	1,588	2,025	460	266
	-----	-----	-----	-----	-----
Net income.....	\$ 7,796	\$ 8,999	\$ 5,244	\$ 1,112	\$ 1,519
	=====	=====	=====	=====	=====
Basic earnings per common share.....	\$.38	\$.42	\$.24	\$.05	\$.06
	=====	=====	=====	=====	=====
Basic weighted average common shares					

tax.....				(1,094)	1,092	(2)	(1,094)
Income tax benefit related to other comprehensive income..				473	(472)	1	473
Comprehensive income....	---	---	-----	-----	-----	-----	\$ 898
Balance as of July 31, 1998 (unaudited).....	\$ 1	\$12	\$26,287	\$55,534	\$(5,463)	\$(73,776)	\$2,595

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FISCAL YEAR ENDED APRIL 30,			THREE MONTHS ENDED JULY 31,	
	1996	1997	1998	1997	1998
	(UNAUDITED)				
Cash from operating activities:					
Net income.....	\$ 7,796	\$ 8,999	\$ 5,244	\$ 1,112	\$ 1,519
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation.....	3,599	5,087	6,552	1,570	1,968
Amortization.....	1,541	424	1,165	300	239
Provision for doubtful accounts.....	1,590	2,196	2,427	495	1,276
Cash surrender value in excess of premiums paid.....	(1,142)	(1,601)	(1,767)	(768)	(107)
Earnings from affiliate.....	589	--	--	--	--
Gain on sale of interest in affiliate.....	(516)	--	--	--	--
Change in other assets and liabilities net of acquisitions:					
Deferred compensation.	2,056	3,093	6,876	2,674	1,430
Receivables due from clients.....	(8,769)	(12,630)	(9,996)	(43)	(10,604)
Prepaid expenses.....	(988)	(1,174)	(507)	(590)	(1,024)
Income taxes payable..	(5,323)	276	(3,143)	(275)	(3,767)
Accounts payable and accrued liabilities..	8,344	6,036	9,678	(15,073)	(9,378)
Non-controlling shareholders' interests and other, net.....	(431)	(550)	1,953	403	(1,037)
Net cash provided by (used in) operating activities.....	8,346	10,156	18,482	(10,195)	(19,485)
Cash from investing activities:					
Purchase of property and equipment.....	(8,084)	(8,483)	(9,903)	(1,737)	(2,481)
Business acquisitions, net of cash acquired...	--	--	--	--	(1,323)

Premiums on life insurance.....	(8,590)	(7,865)	(12,408)	(1,200)	(1,431)
Redemption (purchase) of guaranteed investment contracts.....	(5,299)	1,753	1,949	--	--
Sale of interest in affiliates.....	357	434	473	--	--
	-----	-----	-----	-----	-----
Net cash used in investing activities.....	(21,616)	(14,161)	(19,889)	(2,937)	(5,235)
	-----	-----	-----	-----	-----
Cash from financing activities:					
Increase (decrease) in bank borrowings.....	(1,000)	2,000	2,000	9,000	10,000
Payment of debt.....	(1,477)	(1,470)	(1,957)	(472)	--
Borrowings under life insurance policies....	12,878	1,973	5,358	483	908
Purchase of common and preferred stock.....	(2,532)	(3,674)	(2,761)	--	(1,176)
Issuance of common and preferred stock.....	5,695	5,597	6,588	2,083	1,322
	-----	-----	-----	-----	-----
Net cash provided by financing activities.....	13,564	4,426	9,228	11,094	11,054
	-----	-----	-----	-----	-----
Effect of exchange rate changes on cash flows....	(1,898)	(1,763)	(761)	(372)	(621)
	-----	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(1,604)	(1,342)	7,060	(2,410)	(14,287)
Cash and cash equivalents at beginning of the period.....	28,244	26,640	25,298	25,298	32,358
	-----	-----	-----	-----	-----
Cash and cash equivalents at end of the period.....	\$ 26,640	\$ 25,298	\$ 32,358	\$ 22,888	\$ 18,071
	=====	=====	=====	=====	=====

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

APRIL 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Korn/Ferry International and Subsidiaries is engaged in the business of providing executive search, consulting and related services globally on a retained basis.

Principles of Consolidation

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

Interim Financial Information

The accompanying balance sheet as of July 31, 1998 and the statements of

income and cash flows for the three months ended July 31, 1997 and 1998 and the statements of shareholders' equity for the three months ended July 31, 1998 are unaudited. In the opinion of management, the statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the interim periods. The data for the interim periods disclosed in these notes to the financial statements is also unaudited. The results of operations and cash flows for the interim period are not necessarily indicative of the results to be expected for any future interim period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates with regard to these financial statements relate to the accounting for deferred compensation plans and deferred tax assets. (See Notes 8 and 9).

Translation of Foreign Currencies

The functional currency applicable to the Company's foreign subsidiaries, except those in Argentina, Brazil, Colombia and Venezuela, is the local currency. Due to high inflation, Argentina, Brazil, Colombia and Venezuela use the U.S. dollar as the functional currency.

Assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect at the end of each year and revenues and expenses are translated at average rates of exchange during the year. Translation adjustments are reported as a component of comprehensive income.

For entities denominated in currencies other than their functional currencies, gains and losses resulting from the effect of exchange rate changes are included in determining net income and resulted in losses, included in general and administrative expenses, of \$97, \$344 and \$511 in fiscal 1996, 1997 and 1998, respectively.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Revenue Recognition

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

Cash Flows

Cash equivalents consist of highly liquid investments purchased with original maturities of three months or less.

Net cash from operating activities includes cash payments for interest of \$3,233, \$3,594, \$4,381, \$78 and \$1,276 in fiscal 1996, 1997, 1998 and the three months ended July 31, 1997 and 1998, respectively. Cash payments for income taxes, net of refunds, amounted to \$6,620, \$6,770, \$9,830, \$1,716 and \$5,088 in fiscal 1996, 1997 and 1998 and the three months ended July 31, 1997 and 1998, respectively.

Fair Value of Financial Instruments

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

Concentration of Credit Risk

Financial instruments which potentially subject the Company to significant concentrations of credit risk consist principally of receivables due from clients. Concentrations of credit risk with respect to receivables are limited due to the Company's large number of customers and their dispersion across many different industries and countries worldwide.

Earnings per Common Share

The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 128, "Earnings per Share," ("EPS") at April 30, 1998, which requires the Company to report basic and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if the Company's phantom stock units, stock rights and Common Stock purchase commitments were converted or issued as of the earlier of the beginning of each year or the date of issuance. (See Note 2).

Property and Equipment

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

Cash Surrender Value of Life Insurance

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Goodwill and Other Intangibles

Goodwill is amortized on a straight line basis generally over five to ten years. Other intangibles arising from business acquisitions include contractual obligations contingent upon future performance and are amortized on a straight line basis over the contractual period.

New Accounting Pronouncements

During 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires companies to report financial and descriptive information about its reportable operating segments in the interim and annual financial statements. It is effective for annual periods beginning after December 15, 1997 and will be adopted by the Company in fiscal 1999. It is not expected that the adoption of this standard will have an impact on the consolidated financial statements, however, it may require additional footnote disclosure.

During 1998, the FASB issued SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits an amendment to FASB Statements No. 87, 88 and 106," which revises employers' disclosure requirements for pension and other postretirement plans. It does not change the measurement or recognition of costs and benefits provided by those plans. The standard is effective for fiscal years beginning after December 15, 1997, although earlier application is encouraged. Adoption of this pronouncement is reflected in the accompanying consolidated financial statements (See Note 8). Disclosures for earlier periods have been restated for comparative purposes.

During 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," which establishes new standards for reporting derivative and hedging information. The standard is effective for periods beginning after June 15, 1999 and will be adopted by the Company as of May 1, 2000. It is not expected that the adoption of this standard will have an impact on the consolidated financial statements nor require additional footnote disclosure since the Company does not currently utilize derivative instruments or participate in structured hedging activities.

Reclassifications

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

2. BASIC AND DILUTED EARNINGS PER SHARE

Following is a reconciliation of the numerator (income) and denominator (shares) used in the computation of basic and diluted EPS:

	FISCAL YEAR ENDED APRIL 30,						THREE MONTHS ENDED JULY 31,								
	1996		1997		1998		1997		1998						
	PER SHARE	SHARES	PER SHARE	SHARES	PER SHARE	SHARES	PER SHARE	SHARES	PER SHARE	SHARES	PER SHARE	SHARES			
BASIC EPS															
Income available to common shareholders...	\$7,796	20,390	\$0.38	\$8,999	21,382	\$0.42	\$5,244	21,885	\$0.24	\$1,112	21,379	\$0.05	\$1,519	25,918	\$0.06
EFFECT OF DILUTIVE SECURITIES															
Shareholder common stock purchase commitments....		894			436			318			183			665	
Phantom stock units.....	299	1,272		246	1,242		161	1,219		40	1,241			765	
Stock appreciation rights.....	109	463		88	421		14	417		4	417			306	
DILUTED EPS															
Income available to common shareholders plus assumed conversions....	\$8,204	23,019	\$0.36	\$9,333	23,481	\$0.40	\$5,419	23,839	\$0.23	\$1,156	23,220	\$0.05	\$1,519	27,654	\$0.06

The share amounts in the table above reflect a 4 to 1 stock split approved by the Board of Directors on July 24, 1998. (See Note 14).

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

3. NOTES PAYABLE AND LONG-TERM DEBT

At April 30, 1998, the Company maintained an \$11,000 unsecured bank revolving line of credit facility. Borrowings on the line of credit bear

interest at the bank's prime rate less one-half percent, which was 8.0% at April 30, 1998. There is no outstanding balance under the revolving line of credit as of April 30, 1998. Subsequent to April 30, 1998, the line of credit facility was increased to \$16,000.

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

	FISCAL YEAR ENDED APRIL 30,	
	----- 1997	1998 -----
8% variable rate unsecured term loan due to bank, principal and interest payable quarterly.....	\$ --	\$ 5,000
Unsecured subordinated notes payable to former shareholders due through October 2002, bearing interest at various rates up to 8.75%.....	5,278	3,710
	-----	-----
Total debt.....	5,278	8,710
Less: current maturities of long-term debt.....	(2,072)	(2,559)
	-----	-----
Long-term debt.....	\$ 3,206	\$ 6,151
	=====	=====

The Company issued notes payable to shareholders of \$395, \$1,708 and \$389 in fiscal 1996, 1997 and 1998, respectively, for the purchase of Common Stock.

Annual maturities of long-term debt for the five fiscal years subsequent to April 30, 1998 are: \$2,559 in 1999, \$2,488 in 2000, \$1,336 in 2001, \$1,254 in 2002 and \$1,073 in 2003.

The Company also has outstanding borrowings against the CSV of COLI contracts of \$32,278 and \$37,638 at April 30, 1997 and 1998, respectively. These borrowings are secured by the CSV, principal payments are not scheduled and interest is payable at least annually, at various variable rates. (See Note 8).

4. SHAREHOLDERS AGREEMENTS AND SUPPLEMENTAL INFORMATION REGARDING BOOK VALUE PER SHARE

Under existing stock purchase and repurchase agreements, collectively referred to as the Equity Participation Program ("EPP"), eligible executives of the Company have the opportunity to purchase shares of Common Stock at book value and are required to sell their shares of Common Stock to the Company at book value upon termination of their employment. For purposes of EPP purchases and sales, book value per share, adjusted for the 4 to 1 stock split, was \$2.60 (\$10.40 pre-stock split) and \$2.79 (\$11.15 pre-stock split) at April 30, 1997 and 1998, respectively. The EPP book value calculation excludes the effect of the Series A Preferred Stock and shareholder notes related to Common Stock purchases. The Company ceased issuing shares of Common Stock under the EPP as of May 1, 1998. The Board of Directors approved the Supplemental Equity Participation Program on July 24, 1998, effective May 2, 1998, that provides for the issuance of common shares at fair value.

Shares subject to book value repurchase agreements are classified as mandatorily redeemable common stock in the accompanying consolidated balance sheets. As of April 30, 1997 and 1998 notes receivable from shareholders for Common Stock purchases were \$4,566 and \$6,612, respectively. The Company issued Common Stock in exchange for notes receivable from shareholders of \$3,172, \$4,305 and \$6,184 in fiscal 1996, 1997 and 1998 respectively. Included in shareholders' notes and other unpaid shares at July 31, 1998 is \$500 related to Common Stock issued that vests over a three year period.

At April 30, 1998, the Company had commitments of \$1,484 from vice presidents to buy additional Common Stock at book value under the EPP. Additionally, the Company had commitments to sell to vice presidents Common Stock with an aggregate price at book value of \$5,805, at May 1, 1998. The difference between the fair market value of these shares and the EPP book value purchase price, of approximately \$16,000, will be recorded as compensation and benefits expense when the book value repurchase agreements are amended

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

and replaced with the fair value repurchase agreements upon consummation of the IPO. In addition the Company will recognize compensation and benefits expense related to shares issued subsequent to July 1997, of approximately \$10,600, representing the difference between the fair market value and the book value of the shares at the date of issuance.

The repurchase agreements under the EPP will be amended upon consummation of an initial public offering ("IPO") to permit employee shareholders to sell their shares in the public market, subject to a liquidity schedule that provides for increases over a four year period in the number of shares that can be sold. Subsequent to the consummation of an IPO, shares will no longer be issued under the EPP or Supplemental Equity Participation Program.

5. PREFERRED STOCK

In December 1994, the Company issued Series A Preferred Stock in conjunction with the redemption of common stock from certain employee shareholders. These shares have a redemption value of \$7.29 per share plus cumulative unpaid dividends at 8.5% per annum. The Company may redeem all or any part of the outstanding Preferred Stock at the earlier of either (i) payment in full of all promissory notes of the Company issued in the Redemption, or (ii) the approval of the holders of a majority of the shares of the Series A Preferred Stock. Shares of Series A Preferred Stock have voting rights equivalent to 100 shares of common stock for each share outstanding, except that holders of Series A Preferred Stock must vote in favor of certain transactions approved by holders of two-thirds or more of the shares of Common Stock of the Company.

In a previous year, the Company also issued Series B Preferred Stock which has voting and redemption rights, including the book value repurchase requirements equivalent to Common Stock. All Series B Preferred Stock is held in the Company's Employee Tax Deferred Savings Plan.

Upon consummation of an IPO, all shares of Series A and B Preferred Stock will be redeemed at their contractual amounts of approximately \$1,400.

6. PHANTOM STOCK PLAN AND STOCK RIGHT PLAN

Effective May 1, 1988, the Company established a Phantom Stock Plan for key employees. The plan allows for granting the rights to purchase up to 1,500 unit rights at the book value of the outstanding Common Stock at the date of grant. On a pre-stock split basis as of April 30, 1997 and 1998, 310 and 297 units were outstanding, respectively. These units are fully vested and entitle employees, upon termination of employment, to receive their interest in cash based on the equivalent book value of the Common Stock.

In fiscal 1992, the Company established a Stock Right Plan under which rights are granted to employees selected by a committee of the Board of Directors. These rights are fully vested after two years and entitle the holder to rights substantially identical to the common shares, excluding voting rights. As of April 30, 1997 and 1998, 104 units were outstanding on a pre-stock split basis.

Compensation expense is recognized based on the change, if any, in the book value of the Common Stock since the date of the grant. Compensation expense related to these plans amounted to \$628, \$514 and \$270 in fiscal 1996, 1997 and 1998, respectively. Subsequent to year end, the Board of Directors and shareholders approved the termination of these plans and the conversion of the phantom stock units and stock rights to Common Stock.

The Stock Right Plan and Phantom Stock Plan were terminated and each participant within either the Stock Right Plan or Phantom Stock Plan was offered the opportunity to receive \$11.15 per phantom unit or stock appreciation right or receive shares of the Common Stock at the book value of a share of Common Stock as of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

April 30, 1998, which was valued at approximately \$2.79 per share after giving effect to the 4-to-1 stock split. The Company had 275,954 phantom units and 114,356 stock appreciation rights outstanding as of June 30, 1998, the effective date of the surrender, termination and cancellation of all the outstanding phantom units and stock appreciation rights of the Company. As a result of this transaction, mandatorily redeemable common stock was increased by \$4,240 with a corresponding decrease in the deferred compensation liability.

The Common Stock issued upon termination of these plans is subject to the EPP book value repurchase agreements. These repurchase agreements will be amended to adopt the liquidity schedule upon consummation of an IPO. At that date, the Company will recognize compensation and benefits expense of approximately \$13,200 for the excess of the fair market value of the shares over the book value price of the shares issued in the conversion.

7. EMPLOYEE PROFIT-SHARING AND BENEFIT PLANS

The Company has an Employee Tax Deferred Savings Plan that covers eligible employees in the United States. The Company's discretionary accrued contribution to this plan was \$1,230, \$1,768 and \$2,400 for fiscal 1996, 1997 and 1998, respectively. The Company's non-U.S. employees are covered by a variety of pension plans that are applicable to the countries in which they work. The contributions for these plans are determined in accordance with the legal requirements in each country and generally are based on the employees' annual compensation.

8. DEFERRED COMPENSATION AND LIFE INSURANCE CONTRACTS

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

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

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

Participants in the Senior Executive Incentive Plan (SEIP) are elected for participation by the Company's Board of Directors. Generally, to be eligible the vice president must be participating in the EWAP. Participation in the SEIP requires the vice president to contribute a portion of their compensation during a four-year period, or in some cases make an after tax contribution, in return for a defined benefit paid by the Company generally over a fifteen year period at age 65, or retirement.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

In 1998, certain employees elected to defer a portion of their compensation, amounting to approximately \$2,500, into a new deferred compensation plan established by the Company. If the Company terminates this plan before April 30, 1999, the employees will receive their deferred compensation plus interest at the Company's bank borrowing rate, currently at 8%.

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

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

As of April 30, 1997 and 1998, the Company had unrecognized losses related to these deferred compensation plans of \$4,421 and \$7,747 due to changes in assumptions of the discount rate used for calculating the accruals for future benefits. The Company amortizes unrecognized losses over the average remaining service period of active participants. The discount rate used in 1997 and 1998 was 9.0% and 7.5%, respectively.

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

	YEAR ENDED APRIL 30,	
	1997	1998
	-----	-----
Benefit obligation at beginning of the year.....	\$26,705	\$30,149
Service cost.....	1,227	1,693
Interest cost.....	1,320	1,622
Plan participants' contributions.....	3,030	5,981
Recognized loss due to change in assumption.....	305	624
Benefits paid.....	(2,438)	(4,707)
	-----	-----
Benefit obligation at end of fiscal year.....	\$30,149	\$35,362
Less: current portion of benefit obligation.....	(2,473)	(810)
	-----	-----
Long-term benefit obligation at end of year.....	\$27,676	\$34,552
	=====	=====

The Company has purchased COLI contracts insuring participants and former participants. The gross CSV of these contracts of \$53,570 and \$67,747 is offset by outstanding policy loans of \$32,278 and \$37,638, on the accompanying consolidated balance sheets as of April 30, 1997 and 1998, respectively.

Death benefits payable under COLI contracts were \$244,418 and \$285,495 at April 30, 1997 and 1998, respectively. Management intends to use the future death benefits from these insurance contracts to fund the deferred compensation arrangements; however, there may not be a direct correlation between the timing of the future cash receipts and disbursements under these arrangements. In addition, certain future death benefits are restricted for the purchase of certain shares of Common Stock, if any, upon the death of a

shareholder. As of April 30, 1998, COLI contracts with a net cash surrender value of \$24,500 and death benefits payable of \$146,589 were held in trust for these purposes.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

9. INCOME TAXES

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

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

	FISCAL YEAR ENDED APRIL 30,		
	----- 1996 -----	1997	1998 -----
Current taxes:			
Federal.....	\$ 921	\$ 2,602	\$ 2,953
State.....	381	991	1,022
	-----	-----	-----
Total.....	1,302	3,593	3,975
	-----	-----	-----
Deferred taxes:			
Federal.....	(3,766)	(2,133)	(3,458)
State.....	(996)	(713)	(1,154)
	-----	-----	-----
Total.....	(4,762)	(2,846)	(4,612)
	-----	-----	-----
Foreign taxes.....	6,748	5,911	7,324
	-----	-----	-----
Provision for income taxes.....	\$ 3,288	\$ 6,658	\$ 6,687
	=====	=====	=====

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

	FISCAL YEAR ENDED APRIL 30,		
	----- 1996 -----	1997	1998 -----
Domestic.....	\$ (9,163)	\$ (2,534)	\$ (4,635)
Foreign.....	21,826	19,779	18,591
	-----	-----	-----
Total.....	\$ 12,663	\$ 17,245	\$ 13,956
	=====	=====	=====

The income tax provision stated as a percentage of pretax income was different than the amount computed using the U.S. statutory federal income tax rate for the reasons set forth in the following table:

	FISCAL YEAR ENDED APRIL 30,		
	----- 1996 -----	1997	1998 -----

U.S. federal statutory tax rate.....	35.0%	35.0%	35.0%
Foreign source dividend income.....	20.1	12.7	30.6
Foreign income tax credits utilized.....	(20.4)	(11.6)	(21.5)
Income subject to higher (lower) Foreign tax rates.....	(7.0)	(5.9)	5.9
COLI CSV increase, net.....	(3.6)	0.8	(5.4)
Other.....	1.9	7.6	3.3
	-----	-----	-----
Effective tax rate.....	26.0%	38.6%	47.9%
	=====	=====	=====

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

	AS OF APRIL 30,	
	1997	1998
	-----	-----
Deferred income tax assets (liabilities):		
Deferred compensation.....	\$11,597	\$14,652
Accrued operating expenses.....	1,964	3,172
Other accrued liabilities.....	(1,590)	(1,360)
Property and equipment.....	299	419
Other.....	(317)	(338)
	-----	-----
Deferred income taxes.....	\$11,953	\$16,545
	=====	=====

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

10. COMMITMENTS AND CONTINGENCIES

The Company leases office premises and certain office equipment under leases expiring at various dates through 2010. Total rental expense for fiscal years 1996, 1997 and 1998 amounted to \$9,033, \$11,686 and \$12,948, respectively. At April 30, 1998, minimum future commitments under noncancelable operating leases with lease terms in excess of one year were payable as follows: \$11,066 in 1999, \$10,357 in 2000, \$9,813 in 2001, \$8,708 in 2002, \$5,910 in 2003 and \$17,972 thereafter. As of April 30, 1998, the Company has outstanding standby letters of credit of \$945 in connection with office leases.

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

In January 1998, the Company agreed to be co-obligor with an officer-shareholder, on a \$1,000 promissory note entered into for his home loan. The officer-shareholder has pledged all of his Common Stock to the Company as collateral. The Company also agreed to pay all of the interest on the note for a four year period ending January 15, 2002. These interest payments are included in compensation and benefits expense.

In fiscal 1995, certain shareholders of the Company, at the request of the Company, agreed to have certain of their shares of Common Stock redeemed by the Company in a fixed redemption plan initiated by the Company. The redemption price included a contingent amount equal to the difference between a fixed amount plus 8.5% accrued interest and, in the event of an IPO, the public offering price per share of the Common Stock. Simultaneously with the redemption, certain holders of phantom units and stock appreciation rights agreed to terminate their phantom units and stock appreciation rights in return for payments corresponding to the fixed amount and an additional contingent amount. The contingent amount is payable if the Company consummates an extraordinary transaction, including a public offering of the Common Stock, at any time before December 31, 2004 and the seller has not voluntarily terminated or been terminated for cause prior to the date of the extraordinary transaction.

The Company intends to use a portion of the net proceeds from an IPO to complete the redemption by the Company of certain shares of its mandatorily redeemable common and preferred stock and to pay existing

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

obligations of the Company to former holders of phantom units and stock appreciation rights. Upon consummation of an IPO, each of the sellers has agreed to a negotiated discount from the contingent amount they were originally entitled to receive. An IPO price or the range of possible IPO prices has not been determined by the Company and the underwriters, and therefore the payment amounts cannot be objectively estimated. However, it is expected that these payments will result in compensation and benefits expense, which will be recorded upon consummation of the IPO.

11. LITIGATION

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

12. DIVESTITURES

Effective February 29, 1996, the Company divested its 47% interest in Strategic Compensation Associates for a cash payment of \$357 and notes receivable of \$3,215. The notes are receivable in six equal annual installments with interest. Included in other income in fiscal 1996, is a gain of \$516 recognized on this transaction. The outstanding balance of notes receivable at April 30, 1997 and 1998 was \$2,781 and \$2,308 respectively.

13. BUSINESS SEGMENT

The Company operates in one industry segment, retained executive search, on a global basis. For purposes of the geographic information below, Mexico is included in Latin America. In January 1998 the Company formed Futurestep as an 80 percent owned subsidiary (which is included in North America), to provide Internet-based retained recruitment services for middle management positions. Operating expenses and identifiable assets of Futurestep are not material in 1998. The operating loss for Futurestep for the three months ended July 31, 1998 was \$2,483. A summary of the company's operations by geographic area is presented below:

FISCAL YEAR ENDED APRIL			THREE MONTHS ENDED	
30,			JULY 31,	
-----	-----	-----	-----	-----
1996	1997	1998	1997	1998
-----	-----	-----	-----	-----

(UNAUDITED)

NET REVENUES:					
North America.....	\$107,789	\$130,437	\$157,044	\$ 33,307	\$ 44,416
Europe.....	65,034	72,314	79,731	17,890	23,938
Asia/Pacific.....	28,870	32,544	32,887	9,420	7,856
Latin America.....	19,793	25,129	30,893	7,242	8,465
	-----	-----	-----	-----	-----
Total revenues.....	\$221,486	\$260,424	\$300,555	\$ 67,859	\$ 84,675
	=====	=====	=====	=====	=====
OPERATING PROFIT:					
North America.....	7,892	13,711	10,660	1,923	1,130
Europe.....	1,246	(935)	382	147	863
Asia/Pacific.....	3,121	3,585	701	456	337
Latin America.....	4,087	4,204	6,447	1,568	2,059
	-----	-----	-----	-----	-----
Total operating profit.....	16,346	20,565	18,190	4,094	4,389
Interest expense.....	(3,683)	(3,320)	(4,234)	(1,011)	(1,245)
	-----	-----	-----	-----	-----
Income before income taxes and non-controlling shareholders' interest.....	\$ 12,663	\$ 17,245	\$ 13,956	\$ 3,083	\$ 3,144
	=====	=====	=====	=====	=====

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

	AS OF APRIL 30,		
	-----	-----	-----
	1996	1997	1998
	-----	-----	-----
IDENTIFIABLE ASSETS:			
North America.....	\$ 42,770	\$ 42,498	\$ 66,680
Europe.....	33,524	42,300	40,600
Asia/Pacific.....	22,955	25,444	18,529
Latin America.....	8,057	10,606	16,400
Corporate.....	19,035	27,557	34,162
	-----	-----	-----
Total.....	\$126,341	\$148,405	\$176,371
	=====	=====	=====

The Company's clients were not concentrated in any specific geographic region and no single client accounted for a significant amount of the Company's revenues during fiscal 1996, 1997 or 1998 or the three months ended July 31, 1998.

14. STOCK SPLIT

Subsequent to April 30, 1998, the Company's Board of Directors authorized, and the shareholders approved, the filing of an amendment of the Company's existing Articles of Incorporation to increase the Company's authorized capital stock and effect a 4 to 1 split of the Common Stock. The Company intends to file the amendment immediately after the registration statement relating to the IPO is declared effective. The financial statements have been retroactively restated for the effects of this transaction.

15. SUBSEQUENT EVENTS

In July 1998, the Company's Board of Directors unanimously approved a proposed IPO of its common stock. The completion of the IPO is subject to filing an effective registration statement with the Securities and Exchange Commission, the compliance by the Company with applicable state securities

laws and favorable market conditions for an offering of the Common Stock.

In June 1998, the Company entered into a trademark license and promotion agreement with Dow Jones & Company that established an alliance between Futurestep and The Wall Street Journal. The alliance, which has an initial term through June 2001 with options for renewal, provides the Company with preferred advertising rates and requires the purchase of a minimum amount of print and on-line advertising. For each company and candidate referred to Futurestep by The Wall Street Journal, Futurestep is obligated to pay to Dow Jones & Company a small percentage of its fee. Dow Jones & Company, the Company and Futurestep have agreed not to promote competing services during the term of the agreement.

Effective May 1, 1998, the Company acquired Didier Vuchot & Associates in France for approximately \$6,000 in cash, notes and mandatorily redeemable stock of a subsidiary of the Company. The stock of the subsidiary is exchangeable for Common Stock upon the achievement of certain performance targets over a four year period from the acquisition date. All stock not so exchanged is mandatorily redeemable for a nominal amount at the end of the period. The acquisition was accounted for as a purchase. The fair market value of the net assets acquired was approximately \$1,500. The excess of the cash and notes over this amount is related to employment contracts and is included in goodwill and other intangibles. The amount of the purchase price related to mandatorily redeemable stock of the subsidiary of \$2,900 is contingent upon future performance and will be recognized as compensation expense as earned.

Effective June 1, 1998, the Company acquired all of the outstanding shares of two firms in Switzerland in a combined transaction for \$3,600 payable in cash, notes and mandatorily redeemable Common Stock of the Company. The acquisition was accounted for as a purchase. The fair market value of the net assets acquired was approximately \$594. The excess of cash and notes over this amount is related to employment contracts of approximately \$1,400 that is contingent upon future performance that will be recognized as compensation expense as earned. The purchase price in excess of these amounts has been allocated to goodwill.

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NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, ANY SELLING SHAREHOLDER OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE SUCH DATE.

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UNTIL , 1998 (25 DAYS AFTER THE COMMENCEMENT OF THE OFFERING) ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

[LOGO OF KORN/FERRY INTERNATIONAL]

Shares
Common Stock
(no par value)

PROSPECTUS

CREDIT SUISSE FIRST BOSTON

DONALDSON, LUFKIN & JENRETTE

PAINWEBBER INCORPORATED

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the expenses, other than underwriting discounts and commissions, payable by the Company in connection with the issuance and distribution of the Common Stock being registered. All amounts are estimates except the SEC registration fee, the NASD filing fee and the NYSE listing fee.

Securities and Exchange Commission registration fee.....	\$67,850
NASD filing fee.....	23,500
NYSE listing fee.....	*
Accounting fees and expenses.....	*
Legal fees and expenses.....	*
Blue Sky qualification fees and expenses.....	*
Printing and engraving expenses.....	*
Transfer agent and registrar fees.....	*
Miscellaneous.....	*
Total.....	\$ *

=====

* To be completed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has adopted provisions in its Amended and Restated Articles of Incorporation that limit the liability of directors in certain instances. As permitted by the California General Corporation Law ("CGCL"), directors will not be liable to the Company for monetary damages arising from a breach of their fiduciary duty as directors in certain circumstances. Such limitation does not affect liability for any breach of a director's duty to the Company or its shareholders (i) with respect to approval by the director of any transaction from which he derives an improper personal benefit, (ii) with respect to acts or omissions involving an absence of good faith, that he believes to be contrary to the best interests of the Company or its shareholders, that involve intentional misconduct or a knowing and culpable violation of law, that constitute an unexcused pattern of inattention that amounts to an abdication of his duty to the Company or its shareholders, or that show a reckless disregard for his duty to the Company or its shareholders in circumstances in which he was, or should have been, aware, in the ordinary course of performing his duties, of a risk of serious injury to the Company or its shareholders, or (iii) based on transactions between the Company and its directors or another corporation with interrelated directors or on improper distributions, loans or guarantees under applicable sections of the CGCL. Such limitation of liability also does not affect the availability of equitable remedies such as injunctive relief or rescission, although in certain circumstances equitable relief may not be available as a practical matter. The limitation may relieve the directors of monetary liability to the Company for grossly negligent conduct. No claim or litigation is currently pending against the Company's directors that would be affected by the limitations of liability.

The Company's Amended and Restated Bylaws (the "Bylaws"), as amended, provide for the indemnification of directors and executive officers from any threatened, pending or completed action, suit or proceeding, whether formal or informal, by reason of their current or past service to the Company, and the reimbursement of any and all costs incurred by any such director or executive officer in regards thereto. The Bylaws also provide for the indemnification by the Company of any director of the Company, for any monetary damages arising from the imposition of joint and several liability upon such director for actions taken by other directors of the Company, except as not permitted by the CGCL.

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The Company has entered, or plans to enter, into agreements (the "Indemnification Agreements") with each of the directors and executive officers of the Company pursuant to which the Company has agreed to indemnify such director or executive officer from claims, liabilities, damages, expenses, losses, costs, penalties or amounts paid in settlement incurred by such director or executive officer in or arising out of such person's capacity as a director or executive officer of the Company or any other corporation of which such person is a director at the request of the Company to the maximum extent provided by applicable law. In addition, such director or executive officer is entitled to an advance of expenses to the maximum extent authorized or permitted by law.

To the extent that the Board of Directors or the shareholders of the Company may in the future wish to limit or repeal the ability of the Company to provide indemnification as set forth in the Articles, such repeal or limitation may not be effective as to directors and executive officers who are parties to the Indemnification Agreements, because their rights to full protection would be contractually assured by the Indemnification Agreements. It is anticipated that similar contracts may be entered into, from time to time, with future directors of the Company.

The Form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the Underwriters of the Company and its directors and officers for certain liabilities arising under the Securities Act of 1933 (the "Securities Act") or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Set forth below is certain information concerning all sales of securities by the Company during the past three years that were not registered under the Securities Act.

During the three years preceding the filing of this Registration Statement, the Company sold shares of Common Stock to its officers without registration

under the Securities Act. Exemption from registration under the Securities Act for these sales is claimed under Regulation D promulgated under Section 4(2) of the Securities Act, Rule 701 promulgated under Section 3(b) of the Securities Act and Regulation S under the Securities Act. Each recipient of such securities represented in each transaction such recipient's intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates issued in such transactions.

Under the Company's Executive Participation Program (the "EPP"), the Company offered shares of Common Stock from the EPP's inception through January 31, 1996 at a purchase price equal to the book value of such share as of the end of the fiscal year immediately preceding such sale. During the three years preceding the filing of this Registration Statement, the following sales were made to officers pursuant to such annual offers for which exemption from registration under the Securities Act is claimed under Regulation D promulgated under Section 4(2) of the Securities Act: 80,288 shares on September 1, 1995, November 15, 1995, January 15, 1996, each for an aggregate of \$39,993, respectively; 435,024 shares on May 1, 1996 for an aggregate of \$245,789; 141,584 shares on July 1, 1996 for an aggregate of \$79,995; and 61,536 shares on May 1, 1997 for an aggregate of \$39,998.

During the three years preceding the filing of this Registration Statement, the following sales were made to officers pursuant to such annual offers for which exemption from registration under the Securities Act is claimed under Rule 701 promulgated under Section 3(b) of the Securities Act: 80,288 shares on October 6, 1995 for an aggregate of \$39,993; 73,488 shares on January 1, 1996 for an aggregate of \$36,606; 141,568 shares on May 1, 1996 for an aggregate of \$79,986; 70,784 shares on April 1, 1997 for an aggregate of \$39,993; 184,608 shares on May 1, 1997 for an aggregate of \$119,995; and 61,536 shares on April 30, 1998 for an aggregate of \$39,998.

During the three years preceding the filing of this Registration Statement, the following sales were made to officers pursuant to such annual offers for which exemption from registration under the Securities Act is claimed under Regulation S under the Securities Act: 399,360 shares on April 16, 1996 for an aggregate of \$198,931; 389,984 shares on May 1, 1996 for an aggregate of \$220,341; 247,760 shares on July 1, 1996 for an

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aggregate of \$139,984; 240,896 shares on November 1, 1996 for an aggregate of \$119,996; 61,536 shares on May 1, 1997 for an aggregate of \$39,998; 123,072 shares on June 1, 1997 for an aggregate of \$79,997; 123,072 shares on July 1, 1997 for an aggregate of \$79,997; 61,536 shares on August 1, 1997 for an aggregate of \$39,998; 61,536 shares on April 1, 1998 for an aggregate of \$39,998; and 250,096 shares on August 1, 1998 for an aggregate of \$174,286.

Since the beginning of the fiscal quarter ended January 31, 1996, the Company has offered and sold shares of Common Stock quarterly to officers under the EPP at a purchase price equal to the book value of such share determined as a ratio of the book value as of the end of the fiscal year immediately preceding such sale and the book value as of the end of the fiscal year immediately following such sale, which ratio reflected the date during the fiscal year on which such sale was made. The Company has made the following quarterly offers and sales for which exemption from registration under the Securities Act is claimed under Regulation D promulgated under Section 4(2) of the Securities Act: For the fiscal quarter ended January 31, 1996, the Company sold an aggregate of 235,008 shares for an aggregate of \$124,995. For the fiscal quarter ended April 30, 1996, the Company sold an aggregate of 228,048 shares for an aggregate of \$124,999. For the fiscal quarter ended July 31, 1996, the Company sold an aggregate of 4,623,648 shares for an aggregate of \$2,612,361. For the fiscal quarter ended October 31, 1996, the Company sold an aggregate of 511,712 shares for an aggregate of \$299,991.

For the fiscal quarter ended January 1, 1997, the Company sold an aggregate of 246,912 shares for an aggregate of \$149,999. For the fiscal quarter ended April 30, 1997, the Company sold an aggregate of 715,680 shares for an aggregate of \$449,984. For the fiscal quarter ended July 31, 1997, the Company sold an aggregate of 1,692,288 shares for an aggregate of \$1,099,987. For the fiscal quarter ended October 31, 1997, the Company sold an aggregate of 982,032 shares for an aggregate of \$649,982.

For the fiscal quarter ended January 1, 1998, the Company sold an aggregate of 816,288 shares for an aggregate of \$549,974. For the fiscal quarter ended April 30, 1998, the Company sold an aggregate of 802,912 shares for an aggregate of \$549,995. For the fiscal quarter ended July 31, 1998, the Company sold an aggregate of 2,582,784 shares for an aggregate of \$1,799,878.

The Company has made the following quarterly offers and sales for which exemption is claimed under Rule 701 promulgated under Section 3(b) of the Securities Act: For the fiscal quarter ended July 31, 1997, the Company sold an aggregate of 1,153,840 shares for an aggregate of \$749,996. For the fiscal quarter ended April 30, 1998, the Company sold an aggregate of 109,488 shares for an aggregate of \$74,999. For the fiscal quarter ended July 31, 1998, the Company sold an aggregate of 1,183,776 shares for an aggregate of \$824,944.

The Company has made the following quarterly sales and offers for which exemption is claimed under Regulation S under the Securities Act: For the fiscal quarter ended July 31, 1996, the Company sold an aggregate of 2,535,264 shares for an aggregate of \$1,432,424. For the fiscal quarter ended October 31, 1996, the Company sold an aggregate of 895,488 shares for an aggregate of \$524,980.

For the fiscal quarter ended January 1, 1997, the Company sold an aggregate of 199,104 shares for an aggregate of \$120,956. For the fiscal quarter ended April 30, 1997, the Company sold an aggregate of 835,264 shares for an aggregate of \$525,172. For the fiscal quarter ended July 31, 1997, the Company sold an aggregate of 3,230,752 shares for an aggregate of \$2,099,989. For the fiscal quarter ended October 31, 1997, the Company sold an aggregate of 339,936 shares for an aggregate of \$224,995.

For the fiscal quarter ended January 1, 1998, the Company sold an aggregate of 667,872 shares for an aggregate of \$449,979. For the fiscal quarter ended April 30, 1998, the Company sold an aggregate of 2,153,264 shares for an aggregate of \$1,474,986. For the fiscal quarter ended July 31, 1998, the Company sold an aggregate of 5,093,856 shares for an aggregate of \$3,549,781.

Under the Company's Supplemental Equity Participation Program, the Company offered shares of Common Stock at a purchase price equal to the fair market value, appraised as of June 30, 1998, to certain employees

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promoted to vice presidents and other persons hired as vice presidents of the Company between May 2, 1998 and the filing of this Registration Statement. On August 14, 1998, the Company sold an aggregate of (i) 673,280 shares for an aggregate of \$749,983 for which exemption from registration under the Securities Act is claimed under Regulation D promulgated under Section 4(2) of the Securities Act and (ii) 364,352 shares for an aggregate of \$999,917 for which exemption from registration under the Securities Act is claimed under Regulation S under the Securities Act.

As of August 1, 1998, the Company issued 1,511,008 shares of Common Stock upon conversion of 377,752 phantom stock units and stock appreciation rights in connection with the termination of the Company's Phantom Stock Plan and Amended and Restated Stock Right Plan. Exemption from registration under the Securities Act for this issuance is claimed under Section 3(a)(9) of the Securities Act.

On August 11, 1998, the Company sold 105,728 shares of its Common Stock for an aggregate purchase price of \$294,717 upon exercise by Didier Vuchot & Associates executives of their put option received in connection with the Company's acquisition of that firm in June 1998. Exemption from registration under the Securities Act for this issuance is claimed under Section 4(2) of the Securities Act.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Articles of Incorporation of the Company
3.2	Amended and Restated Bylaws of the Company
4.1*	Specimen Common Stock certificate
5.1*	Opinion of O'Melveny & Myers LLP
10.1*	Form of Indemnification Agreement between the Company and each of its executive officers and directors
10.2**	Performance Award Plan
10.3**	Form of U.S. and International Worldwide Executive Benefit Retirement Plan
10.4**	Form of U.S. and International Worldwide Executive Benefit Life Insurance Plan
10.5**	Worldwide Executive Benefit Disability Plan (in the form of Long-Term Disability Insurance Policy)
10.6**	Form of U.S. and International Enhanced Executive Benefit and Wealth Accumulation Plan
10.7**	Form of U.S. and International Senior Executive Incentive Plan
10.8**	Executive Salary Continuation Plan
10.9**	Form of Stock Repurchase Agreement
10.10**	Form of Amended and Restated Stock Repurchase Agreement
10.11**	Form of Standard Employment Agreement
10.12**	Form of Deferred Compensation Election Form for Fiscal 1998
10.13**	Stock Purchase Agreement between the Company, bill gross' idealab!, Mr. Singh and Korn/Ferry International Futurestep, Inc. dated December 1, 1997
10.14**	Shareholders Agreement between the Company, bill gross' idealab!, Mr. Singh and Korn/Ferry International Futurestep, Inc. dated December 1, 1997
10.15**	Employment Agreement between Mr. Singh and Korn/Ferry International Futurestep, Inc. dated December 1, 1997
10.16**	KFI/Singh Agreement between the Company and Mr. Singh dated December 1, 1997
10.17**	Stock Repurchase Agreement between the Company and Mr. Singh dated December 1, 1997
10.18**	License Agreement between Self Discovery Dynamics LLC and Korn/Ferry International Futurestep, Inc. dated May 15, 1998
10.19*	Trademark License and Promotion Agreement between Dow Jones & Company, the Company and Korn/Ferry International Futurestep, Inc. dated June 8, 1998
10.20**	Stock Purchase Agreement between the Company, Mr. Ferry, Henry B. Turner and Peter W. Mullin (as trustees of the Richard M. Ferry and Maude M. Ferry 1972 Children's Trust), the California Community Foundation and Richard M. Ferry Co-trustees, and the California Community Foundation dated June 2, 1995
10.21	Purchase Agreement dated December 31, 1994 between the Company and the parties named therein
10.22**	Revolving Line Agreement dated January 31, 1997 between the Company and Mellon 1st Business Bank, as successor to 1st Business Bank, as amended June 19, 1998
10.23**	Revolving Credit and Term Loan Agreement dated January 31, 1997 between the Company and Mellon 1st Business Bank, as successor to 1st Business Bank

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EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
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10.25*	Form of Additional Redemption Agreement
10.26**	Amended and Restated Stock Right Plan
10.27**	Form of U.S. and Foreign Executive Participation Program

10.28** Form of Supplemental Executive Equity Participation Program
10.29** Phantom Stock Plan
10.30 Form of Termination and Conversion Agreement for Stock Right Plan
10.31 Form of Termination and Conversion Agreement for Phantom Stock Plan
21.1 Subsidiaries of the Company
23.1 Consent of Arthur Andersen LLP
23.3* Consent of O'Melveny & Myers LLP (included in Exhibit 5.1)
24.1** Power of Attorney (contained on page II-6)
27.1 Financial Data Schedule

- - - - -
* To be filed by amendment

** Previously filed.

(b) FINANCIAL STATEMENT SCHEDULES

Schedule II--Korn/Ferry International Allowance for Doubtful Accounts

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act, and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on October 16, 1998.

KORN/FERRY INTERNATIONAL

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

Elizabeth S.C.S. Murray

Chief Financial Officer and
Executive Vice President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
* _____ Richard M. Ferry	Chair of the Board	October 16, 1998
* _____ Michael D. Boxberger	President, Chief Executive Officer and Director	October 16, 1998
/s/ Elizabeth S.C.S. Murray _____ Elizabeth S.C.S. Murray	Chief Financial Officer and Executive Vice President	October 16, 1998
/s/ Donald E. Jordan _____ Donald E. Jordan	Vice President of Finance (Principal Accounting Officer)	October 16, 1998
* _____ Paul Buchanan-Barrow	Director	October 16, 1998
/s/ Peter L. Dunn _____ Peter L. Dunn	Director	October 16, 1998
* _____ Timothy K. Friar	Director	October 16, 1998
* _____ Sakie T. Fukushima	Director	October 16, 1998
* _____ Hans Jorda	Director	October 16, 1998
* _____ Scott E. Kingdom	Director	October 16, 1998

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SIGNATURE -----	TITLE -----	DATE ----
* _____ Young Kuan-Sing	Director	October 16, 1998

*	Director	October 16, 1998
<hr/>		
Raimondo Nider		
*	Director	October 16, 1998
<hr/>		
Manuel A. Papayanopulos		
*	Director	October 16, 1998
<hr/>		
Windle B. Priem		
*	Director	October 16, 1998
<hr/>		
Michael A. Wellman		

*By: /s/ Peter L. Dunn

Peter L. Dunn
Attorney-in-Fact

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Korn/Ferry International and subsidiaries included in this registration statement and we expect to be in a position to issue our report thereon dated July 31, 1998. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule II--Korn/Ferry International Allowance for Doubtful Accounts is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Los Angeles, California
July 31, 1998

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SCHEDULE II

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
(IN THOUSANDS)

	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	DEDUCTION	BALANCE AT END OF YEAR
	-----			-----
YEAR ENDED APRIL 30:				
Allowance for Doubtful Accounts				
1998.....	\$3,846	\$2,427	\$ (883)	\$5,390
1997.....	3,341	2,196	(1,691)	3,846
1996.....	2,292	1,590	(541)	3,341

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

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INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Articles of Incorporation of the Company
3.2	Amended and Restated Bylaws of the Company
4.1*	Specimen Common Stock certificate
5.1*	Opinion of O'Melveny & Myers LLP
10.1*	Form of Indemnification Agreement between the Company and each of its executive officers and directors
10.2**	Performance Award Plan
10.3**	Form of U.S. and International Worldwide Executive Benefit Retirement Plan
10.4**	Form of U.S. and International Worldwide Executive Benefit Life Insurance Plan
10.5**	Worldwide Executive Benefit Disability Plan (in the form of Long-Term Disability Insurance Policy)
10.6**	Form of U.S. and International Enhanced Executive Benefit and Wealth Accumulation Plan
10.7**	Form of U.S. and International Senior Executive Incentive Plan
10.8**	Executive Salary Continuation Plan
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NUMBER

DESCRIPTION OF EXHIBIT

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23.3*	Consent of O'Melveny & Myers LLP (included in Exhibit 5.1)
24.1**	Power of Attorney (contained on page II-6)
27.1	Financial Data Schedule

- - - - -
* To be filed by amendment

** Previously filed.

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
KORN/FERRY INTERNATIONAL,
A CALIFORNIA CORPORATION

The undersigned, Michael D. Boxberger and Peter L. Dunn, hereby certify that:

ONE: They are the duly elected and acting President and Secretary, respectively, of this Corporation.

TWO: The Amended and Restated Articles of this Corporation shall be amended and restated in their entirety to read as follows:

Article I: Name

The name of this Corporation is: Korn/Ferry International

Article II: Purpose

The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

Article III: Stock

Section 1. Authorized Shares. The total number of shares of all classes which this Corporation shall have the authority to issue shall be 200,000,000, which shall be divided into two classes, one to be designated "Common Stock," which shall consist of 150,000,000 authorized shares, and a second class to be designated as "Preferred Stock," which shall consist of 50,000,000 authorized shares.

Section 2. Common Stock of the Corporation. Upon the filing in the Office of the Secretary of State of the State of California of these Amended and Restated Articles of Incorporation of this Corporation, to read as stated herein, each issued and outstanding share of Common Stock shall be, automatically and without further action by the Board of Directors or shareholders of the Corporation, exchanged for 4 shares of Common Stock, and each person at that time holding of record any issued and outstanding shares of Common Stock shall be entitled to receive a stock certificate or certificates to evidence and represent the aggregate shares of Common Stock held by such person after the exchange of each issued and outstanding share of Common Stock for 4 shares of Common Stock described above, and the old stock certificate or

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certificates previously held shall be cancelled by the Corporation upon the effectiveness of these Amended and Restated Articles of Incorporation. Fractional shares will not be issued in connection with such stock split. Any holder of record of Common Stock of this Corporation which owns after such stock split an aggregate number of shares ending in a fraction will receive a stock certificate or certificates to evidence and represent such aggregate number of shares rounded down to the nearest whole number of shares.

Section 3. Preferred Stock of the Company. The Preferred Stock may be issued as a class without series, or if so determined from time to time by the Board of Directors, either in whole or in part in one or more series, each

series to be appropriately designated by a distinguishing number, letter or title, prior to the issue of any shares thereof. Whenever the term "Preferred Stock" is used in this Article, it shall be deemed to mean and include Preferred Stock issued as a class without series or one or more series thereof or both, unless the context shall otherwise require.

Section 4. Authority of Board to Issue Stock. There is hereby

expressly granted to the Board of Directors of this Corporation authority to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, the rights and terms of redemption (including sinking fund provisions), the redemption price or prices and the liquidation preferences on any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolutions originally fixing the number of shares of such series.

Section 5. No Preemptive or Preferential Rights. No holders of

shares of this Corporation of any class, now or hereafter authorized, shall have any preferential or preemptive rights to subscribe for, purchase, or receive any shares of this Corporation of any class, now or hereafter authorized, or any options or warrants to subscribe for such shares, or any rights to subscribe for, purchase, or receive any securities convertible to or exchangeable for such shares, which may at any time be issued, sold or offered for sale by this Corporation.

Article IV: Director Liability

The liability of the directors of this Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

Article V: Indemnification of Agents

This Corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the corporation and its shareholders. Such bylaw provisions may provide for the indemnification of directors of this Corporation for any damages

arising from the imposition of joint and several liability upon any director under Section 316 of the California Corporations Code.

In serving or continuing to serve this Corporation, an agent of the corporation (as defined in Section 317 of the California Corporations Code) is entitled to rely and shall be presumed to have relied on any rights to indemnification granted herein or in this Corporation's bylaws, which shall be enforceable as contract rights and continue when such agent has ceased to be an agent and shall inure to the benefit of heirs, executors and administrators of the agent.

Article VI: Reservation of Rights by the Corporation

This Corporation hereby reserves the right at any time and from time to time to amend, alter, change, or repeal any provisions contained herein, and other provisions authorized by the laws of the state of California at the time in force may be added or inserted, in the manner now or hereafter prescribed by law, and all rights, preferences, and privileges of whatsoever nature conferred upon stockholders, directors, or any other persons whomsoever by or pursuant to these Articles of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

* * *

THREE: The Amended and Restated Articles of Incorporation and this certificate have been approved by the Board of Directors of this Corporation.

FOUR: The foregoing Amended and Restated Articles of Incorporation have been duly approved by the required vote of the shareholders in accordance with Sections 902 and 903 of the California Corporations Code. The total number of outstanding shares of this Corporation entitled to vote is 5,615,451.88 shares of Common Stock, entitled to one (1) vote per share, 8,600 shares of Series A Preferred Stock,* entitled to one-hundred (100) votes per share, and 121,304.57 shares of Series B Preferred Stock,* entitled to one (1) vote per share. The percentage vote by the Corporation's outstanding shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock, for the approval of the Articles of Incorporation as amended and restated, was a vote of all outstanding shares, voting together as a class, of more than 66 2/3%. The percentage vote of approval by the Corporation's Series A Preferred Stock holders, voting as a single class, was more than 50%.

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* Subsequent to the shareholder vote, all outstanding shares of each of Series A Preferred Stock and Series B Preferred Stock were redeemed and no shares of either Series A or Series B Preferred Stock remain outstanding.

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IN WITNESS HEREOF, the undersigned have executed this certificate on _____, 1998.

Michael D. Boxberger, President

Peter L. Dunn, Secretary

The undersigned hereby certify under penalty of perjury that they have read the foregoing Amended and Restated Articles of Incorporation and know the contents thereof, and that the foregoing statements therein are true.

Executed at Los Angeles, California, on _____, 1998.

Michael D. Boxberger, President

Peter L. Dunn, Secretary

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AMENDED AND RESTATED

BYLAWS

OF

KORN/FERRY INTERNATIONAL,

A CALIFORNIA CORPORATION

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BYLAWS

for the regulation, except
as otherwise provided by statute or
its Articles of Incorporation,
of
KORN/FERRY INTERNATIONAL,
a California corporation

ARTICLE I. Offices

Section 1. PRINCIPAL EXECUTIVE OFFICE.

The corporation's principal executive office shall be fixed and located at such place as the Board of Directors (herein called the "Board") shall determine. The Board is granted full power and authority to change said principal executive office from one location to another.

Section 2. OTHER OFFICES.

Branch or subordinate offices may be established at any time by the Board at any place or places.

ARTICLE II. Shareholders.

Section 1. PLACE OF MEETINGS.

Meetings of shareholders shall be held either at the principal executive office of the corporation or at any other place within or without the State of California that may be designated by the Board and filed with the Secretary.

Section 2. ANNUAL MEETINGS.

The annual meetings of shareholders shall be held on such date and at such time as may be fixed by the Board. At such meetings, directors shall be elected and any other proper business may be transacted.

Section 3. BUSINESS WHICH MAY BE CONDUCTED AT ANNUAL MEETINGS.

(a) Only Properly Brought Business. At an annual meeting of the

shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors in accordance with Section 6 of this Article II, (2) otherwise properly brought before the meeting by or at the direction of the Board of Directors in accordance with applicable law, or (3) otherwise properly brought before an annual meeting by a shareholder in accordance with Section 3(b) and 3(c) infra.

(b) Meaning of "Properly Brought by a Shareholder". For business to

be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a shareholder's notice must be delivered or mailed to and received at the principal executive offices of the corporation (i) not less than 120 calendar days in advance of the annual meeting date, as set by the Board of Directors, or, if the date of such meeting has not yet been set, 120 days in advance of the month and day the corporation held its annual meeting for the previous year, (ii) if the date of the annual meeting is advanced or delayed by more than thirty (30) days from the month and

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day the corporation held its annual meeting for the previous year not less than the later of (x) 120 days prior to such meeting, or (y) the tenth day after such shareholder first receives notice of the date of such meeting.

(c) Shareholder's Notice. A shareholder's notice to the corporation

must set forth as to each matter the shareholder proposes to bring before the meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the shareholder proposing such business, (iii) the classes and number of shares of the corporation beneficially owned by the shareholder, (iv) any material interest of the shareholder in such business, and (v) any other information that is required to be provided by the shareholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent of a shareholder proposal.

(d) Time Periods for Information in a Proxy Statement.

Notwithstanding the foregoing, in order to include information with respect to a shareholder proposal in the proxy statement and form of proxy for a shareholder's meeting, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a shareholder's notice must be delivered or mailed to and received at the principal executive offices of the corporation not less than 120 calendar days in advance of the month and day the corporation mailed out its proxy statement to shareholders for the previous year. However, if the date of the annual meeting has been changed by more than thirty calendar days from the date contemplated at the time of the previous year's proxy statement, a shareholder proposal shall be received by the corporation a reasonable time before the solicitation is made by the corporation.

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(e) General. No business shall be conducted at any annual meeting

except in accordance with the procedures set forth in this Section. The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section, and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

Section 4. SPECIAL MEETINGS.

Special meetings of the shareholders may be called at any time by the Board, by the Chair, by the President or by the holders of shares entitled to cast not less than 10 percent of the votes at such meeting. Upon written request delivered to the Secretary by any person (other than the Board) entitled to call a special meeting of shareholders, the Secretary forthwith shall cause notice to be given to the shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, not less than thirty-five nor more than sixty days after the receipt of the request. If notice of a special meeting of shareholders is not given within twenty days after the Secretary's receipt of the request, the persons entitled to call the meeting may give the notice.

Section 5. NOTICE OF ANNUAL OR SPECIAL MEETINGS.

(a) Time Periods. Written notice of each annual or special meeting of

shareholders shall be given not less than ten (or, if notice is sent by third-class mail, thirty) nor more than sixty days before the date of the meeting to each shareholder entitled to vote thereat. Such notice shall state the place, date and hour of the meeting and (i) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to

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present for action by the shareholders, and, subject to Section 3 of this Article II and the provisions of applicable law, any other matters properly brought may be presented at the meeting for action, or (ii) in the case of a special meeting, the general nature of the matter or matters to be presented for action by the shareholders, but, subject to the provisions of applicable law, no other business may be presented at the special meeting for action. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by the Board for election.

(b) Method. Notice of a shareholders' meeting shall be given: (i)

personally in writing or orally, (ii) by first-class mail in writing, addressed to the shareholder at the address of such shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice, or, if no such address appears or is given, at the place where the principal executive office of the corporation is located or, (iii) by publication of a written notice at least once in a newspaper of general circulation in the county in which the principal executive office is located.

Notice by first-class mail shall be deemed to have been given at the time written notice is deposited in the United States mail, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means to the recipient.

Notwithstanding the foregoing, whenever the corporation has outstanding shares held of record by five hundred (500) or more persons, notice may be given by third-class mail as provided in Sections 601(a) and 601(b) of the California Corporations Code.

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Section 6. QUORUM -- REQUIRED VOTES.

A majority of the outstanding voting shares, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders. If a quorum is present, the act of the shareholders on any matter shall be determined by the affirmative vote of a majority of the shares represented at the meeting and voting on such matter at the meeting, for which the shares voting affirmatively must also constitute at least a majority of the shares necessary to constitute a quorum as required by the first sentence of this Section 7, unless a greater number of votes or voting by classes is required by law or by the Articles, except as provided in the following sentence. The shareholders present at any meeting of shareholders at which a quorum was previously present may continue to

do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, for which the act of the shareholders on any matter (other than adjournment) shall be determined by the affirmative vote of at least a majority of the shares necessary to constitute a quorum required by the first sentence of this Section 7.

Section 7. ADJOURNED MEETINGS AND NOTICE THEREOF.

Any shareholders' meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy, but in the absence of a quorum (except as provided in Section 7 of this Article), no other business may be presented at such meeting for action or otherwise transacted at such meeting.

It shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken; provided, however, that when any shareholders' meeting is

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adjourned for more than 45 days, or if after adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given as in the case of an original meeting.

Section 8. VOTING.

The shareholders entitled to notice of any meeting or to vote at any such meeting shall be only persons in whose name shares stand on the stock records of the corporation on the record date determined in accordance with Section 10 of this Article.

Elections for directors shall be by ballot or proxy only. In any election of directors, the candidates receiving the highest number of votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected.

Voting shall in all cases be subject to the provisions of Chapter 7 of the California General Corporation Law, and to the following provisions:

(a) The shareholders of the corporation shall not have the right to cumulate their votes for the election of directors of the corporation. This provision shall become effective only when the corporation becomes a listed corporation as defined within Section 301.5 of the California Corporations Code.

(b) Subject to clause (h), shares held by an administrator, executor, guardian, conservator or custodian may be voted by such holder either in person or by proxy, without a transfer of such shares into the holder's name; and shares standing in the name of a trust may be voted by the trustee of such trust, either in person or by proxy, but no trustee shall be entitled to vote shares held by such trust without a transfer of such shares into the trust's name.

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(c) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into the receiver's name if authority to do so is contained in the order of the court by which such receiver was appointed.

(d) Subject to the provisions of Section 705 of the California Corporations Code and except where otherwise agreed in writing between the parties, a shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(e) Shares standing in the name of a minor may be voted and the corporation may treat all rights incident thereto as exercisable by the minor, in person or by proxy, whether or not the corporation has notice, actual or constructive, of the minor's actual age, unless a guardian of the minor's property has been appointed and written notice of such appointment given to the corporation.

(f) Shares standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxyholder of such other corporation as the bylaws of such other corporation may prescribe or, in the absence of such provision, as the Board of Directors of such other corporation may determine or, in the absence of such determination, by the chairman of the board, president or any vice president of such other corporation, or by any other person authorized to do so by the chairman of the board, president or any vice president of such other corporation. Shares which are purported to be voted or any proxy purported to be executed in the name of a corporation (whether or not any title of the person signing is indicated)

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shall be presumed to be voted or the proxy executed in accordance with the provisions of this clause, unless the contrary is shown.

(g) Shares of the corporation owned by its subsidiaries shall not be entitled to vote on any matter.

(h) Shares held by the corporation in a fiduciary capacity, and shares of the issuing corporation held in a fiduciary capacity by any subsidiary, shall not be entitled to vote on any matter, except to the extent that the settlor or beneficial owner possesses and exercises a right to vote or to give the corporation binding instructions as to how to vote such shares.

(i) If shares stand of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, voting trustees, persons entitled to vote under a shareholder voting agreement or otherwise, or if two or more persons (including proxyholders) have the same fiduciary relationship respecting the same shares, unless the Secretary of the corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(i) If only one votes, such act binds all;

(ii) If more than one vote, the act of the majority so voting binds all;

(iii) If more than one vote, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionately.

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If the instrument so filed or the registration of the shares shows that any such tenancy is held in unequal interests, a majority or even split for the purpose of this section shall be a majority or even split in interest.

Section 9. RECORD DATE.

The Board may fix, in advance, a record date for the determination of the shareholders entitled to notice of any meeting or to vote or entitled to receive payment of any dividend or other distribution, or any allotment of rights, or to exercise rights in respect of any other lawful action. The record date so fixed shall be not more than 60 days nor less than 10 days prior to the date of the meeting nor more than 60 days prior to any other action. When a record date is so fixed, only shareholders of record on that date are entitled to notice of and to vote at the meeting or to receive the dividend, distribution, or allotment or rights, or to exercise of the rights, as the case may be, notwithstanding any transfer of shares on the books of the corporation after the record date. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting. The Board shall fix a new record date if the meeting is adjourned for more than forty-five days.

If no record date is fixed by the Board, the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next

preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held. The record date for determining shareholders for any purpose other than those set forth in this Section 10 or Section 12 of this Article shall be at the close of business on the day on

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which the Board adopts the resolution relating thereto, or the sixtieth day prior to the date of such other action, whichever is later.

Section 10. CONSENT OF ABSENTEES.

The transactions of any meeting of shareholders, however called and noticed, and wherever held, are as valid as though conducted at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by the California General Corporation Law to be included in the notice but not so included, if such objection is expressly made at the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof, except as provided in Section 601(f) of the California Corporations Code.

Section 11. PROXIES.

Every person entitled to vote shares has the right to do so either in person or by one or more persons authorized by a written proxy executed by such shareholder and filed with

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the Secretary. Any proxy duly executed continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto. Such revocation may be effected either, (i) by a writing delivered to the Secretary of the corporation stating that the proxy is revoked, (ii) by a subsequent proxy executed by the person executing the prior proxy presented at the meeting, or (iii) by attendance at the meeting and voting in person by the person executing the proxy; provided, however, that no proxy shall be valid after the expiration of eleven months from the date of its execution unless otherwise provided in the proxy.

A proxy or consent validly delivered to the corporation shall mean any written authorization which is signed by the person executing the proxy, as well as any electronic transmission (to include without limitation transmissions by facsimile and by computer messaging systems), which is authorized by a shareholder or the shareholder's attorney in fact, which gives another person or persons power to vote with respect to the shares of such shareholder. A proxy or consent may also be transmitted by an oral telephonic transmission if it is submitted with information from which it may be determined that the proxy or consent was authorized by the shareholder, or his or her attorney-in-fact.

Section 12. INSPECTORS OF ELECTION.

(a) Appointment of Inspectors. In advance of any meeting of

shareholders, the Board may appoint inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any such meeting may, and on the request of any shareholder or shareholder's proxy shall, make such appointment at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more shareholders'

proxies, the majority of shares present shall determine whether one or three inspectors are to be appointed.

(b) Duties of Inspectors. The duties of such inspectors shall be as

prescribed by Section 707(b) of the California Corporations Code and shall include: determining the number of shares outstanding and the voting power of each; determining the shares represented at the meeting; determining the existence of a quorum; determining the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all shareholders. If there are three inspectors, the decision, act or certificate of a majority is in all respects the decision, act or certificate of all.

Section 13. CONDUCT OF MEETING.

The Chair shall preside at all meetings of the shareholders. The Chair shall conduct each such meeting in a businesslike and fair manner, but shall not be obligated to follow any technical, formal or parliamentary rules or principles of procedure. The Chair's rulings on procedural matters shall be conclusive and binding on all shareholders, unless at the time of a ruling a request for a vote is made to the shareholders holding shares entitled to vote and which are represented in person or by proxy at the meeting, in which case the decision of a majority of such shares shall be conclusive and binding on all shareholders. Without limiting the generality of the foregoing, the Chair shall have all of the powers usually vested in the chair of a meeting of shareholders.

ARTICLE III. Directors.

Section 1. POWERS.

Subject to limitations of the Articles, of these bylaws and of the California General Corporation Law relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board and it shall have the final authority in matters of strategy and policy matters for the corporation.

The Board may delegate management duties for the operation of the business of the corporation to those persons to whom authority is properly delegated by the Board, including officers of the company, provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these bylaws:

- (a) To select and remove all the other officers (in accordance with the provisions of these bylaws), agents and employees of the corporation; prescribe the powers and duties for them as may not be inconsistent with law, the Articles or these bylaws; fix their compensation and require from them an affidavit providing for the good faith exercise of their duties only in the best interests of the corporation.
- (b) To conduct, manage and control the affairs and business of the corporation and to make such rules and regulations therefor not inconsistent with law, the Articles or these bylaws, as they may deem best.

- (c) To adopt, make and use a corporate seal, and to prescribe the forms of certificates of stock, and to alter the form of such seal and of such certificates from time to time as they may deem best.
- (d) To authorize the issuance of shares of stock of the corporation from time to time, upon such terms and for such consideration as may be lawful.

(e) To borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

Section 2. NUMBER OF DIRECTORS.

The authorized number of directors shall not be less than 8 nor more than 15 until changed by the amendment of the Articles or by an amendment to these bylaws provided, however, that after the issuance of shares, an amendment to these bylaws specifying or changing the fixed number of directors or the stated maximum or minimum number may only be adopted by approval of the outstanding shares, and an amendment to these bylaws to reduce the fixed number or the minimum number of directors to a number less than five shall be subject to the provisions of Section 212(a) of the California Corporations Code.

Notwithstanding any provision of these bylaws to the contrary, (a) before shares are issued, the number of Directors may be either one or two, (b) so long as the corporation has only one shareholder, the number may be either one or two, and (c) so long as the corporation has only two shareholders, the number may be two. The exact number of directors shall be fixed, within the limits specified, by resolution or by amendment of the next sentence duly

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adopted either by the Board or, after shares have been issued, by the shareholders. The exact number of directors shall be 13 until changed as provided in this Section 2.

Section 3. NOMINATION, ELECTION, QUALIFICATION AND TERM OF OFFICE.

(a) Eligibility for Election as Director. Only persons who are

nominated by, or at the direction of, this corporation's board of directors, or by a shareholder who has given timely written notice to the Secretary of this corporation in accordance with this Section 3, will be eligible for election as directors of this corporation.

(b) Meaning of "Timely Notice" by a Shareholder. For any written

notice to be timely, such notice must be delivered to or mailed to and received at the principal executive offices of the corporation (i) not less than 120 days in advance of the annual meeting date, as set by the Board of Directors, or, if the date of such meeting has not yet been set, 120 days in advance of the month and day the corporation held its annual meeting for the previous year, (ii) with respect to a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders, and (iii) if the date of the annual meeting is advanced or delayed by more than thirty (30) days from the month and day the corporation held its annual meeting for the previous year not less than the later of (x) 120 days prior to such meeting, or (y) the tenth day after such shareholder first receives notice of the date of such meeting.

(c) Shareholder's Notice. A shareholder's notice of nomination must

set forth: (i) the name and address of the shareholder who intends to make the nomination and the address of the person or persons to be nominated, (ii) a representation that such shareholder is a

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holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iii) a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder, (iv) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated by the Board of Directors, and (v) the consent of each nominee to serve as a director of the corporation if so elected. The

chairman of a shareholder meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

(d) Meetings at which Directors May Be Elected. The directors shall

be elected at each annual meeting of the shareholders, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders called for that purpose.

(e) Classes of Board of Directors. The corporation is hereby

authorized to divide the board of directors of the corporation into three classes, each class of which shall serve for a term of three years respectively. Directors equaling one-third, or as close an approximation as possible, of the authorized number of directors as fixed within these bylaws shall be elected at the annual meeting of shareholders of the corporation. This provision shall become effective only when the corporation becomes a listed corporation as defined within Section 301.5 of the California Corporations Code.

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(f) Qualified Directors. For a person to be qualified to serve as a

director of this corporation, such person need not be an employee or shareholder of this corporation during their directorship.

(g) Length of Term for Directors. Each qualified director shall hold

office until the next annual meeting at which the class of which he is a member becomes subject to re-election and until he or a successor has been elected and qualified.

(h) Removal of Directors. Any or all directors may be removed without

cause if such removal is approved by a majority of the outstanding shares entitled to vote at an election of directors. A director may also be removed without cause if such removal is approved by a majority of the Board of Directors.

Section 4. VACANCIES.

Any director may resign, to be effective upon giving written notice to the Chair, the President, the Secretary or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Vacancies in the Board, except those existing as a result of a removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until the next annual meeting at which the class of which he is a member becomes subject to re-election and until such director's successor has been elected and qualified.

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A vacancy or vacancies in the Board shall be deemed to exist in case of the death, resignation or removal of any director, or if the authorized number of directors is increased, or if the shareholders fail, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

The Board may declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 5. PLACE OF MEETING.

Regular or special meetings of the Board shall be held at any place within or without the State of California which has been designated from time to time by the Board. In the absence of such designation, regular meetings shall be held at the principal executive office of the corporation.

Section 6. REGULAR MEETINGS.

Following each annual meeting of shareholders, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business.

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Other regular meetings of the Board shall be held without call on such dates and at such times as may be fixed by the Board. Call and notice of all regular meetings of the Board are hereby dispensed with.

Section 7. SPECIAL MEETINGS.

Special meetings of the Board for any purpose or purposes may be called at any time by the Chair, the Chief Executive Officer, any Vice Chair, the President, the Secretary or by any two directors.

Special meetings of the Board shall be held upon four days' written notice or forty-eight hours' notice given personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail or other electronic means of communication. Any such notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of the corporation or as may have been given to the corporation by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office

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of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Section 8. QUORUM.

A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business, except to adjourn as provided in Section 11 of this Article. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law or by the Articles. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 9. PARTICIPATION IN MEETINGS BY COMMUNICATIONS EQUIPMENT.

(a) Participation by Conference Telephone. Members of the Board may

participate in a meeting through the use of conference telephones. Participation in such a meeting shall constitute presence in person at that meeting as long as all members participating in such meeting are able to hear one another.

(b) Participation by Electronic Video Screen Equipment or Other

Similar Communications Equipment. Members of the Board may participate in a

meeting through the use of electronic video screen equipment or other similar communications equipment. Participation in such a meeting shall constitute presence in person at that meeting by a Board member if all of the following apply:

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(i) each member participating in the meeting can communicate with all of the other members concurrently;

(ii) each member is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation; and

(iii) the corporation adopts and implements some means of verifying both of the following: (x) a person participating in the meeting is a director or other person entitled to participate in the Board meeting, and (y) all actions of, or votes by, the Board are taken or cast only by the directors and not by persons who are not directors.

Section 10. WAIVER OF NOTICE.

Notice of a meeting need not be given to any director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 11. ADJOURNMENT.

A majority of the directors present, whether or not a quorum is present, may adjourn any directors' meeting to another time and place. Notice of the time and place of an adjourned meeting need not be given to absent directors if the time and place has been fixed at the meeting adjourned, except as provided in the next sentence. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to

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the time of the commencement of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 12. FEES AND COMPENSATION.

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board. At present, it is the intention of the Company not to compensate directors or committee members who are also employees of the Company.

Section 13. ACTION WITHOUT MEETING.

Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such consent or consents shall have the same effect as a unanimous vote of the Board and shall be filed with the minutes of the proceedings of the Board.

Section 14. RIGHTS OF INSPECTION.

Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation and also of its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and obtain extracts.

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Section 15. COMMITTEES.

The Board may appoint one or more committees, each consisting of two or more directors, and delegate to such committees any of the authority of the Board except with respect to:

- (a) The approval of any action for which the California General Corporation Law also requires shareholders' approval or approval of the outstanding shares;
- (b) The filling of vacancies in the Board or on any committee;
- (c) The fixing of compensation, if any, of the directors for serving on the Board or on any committee;
- (d) The amendment or repeal of bylaws or the adoption of new bylaws;
- (e) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
- (f) A distribution to the shareholders of the corporation except at a rate or in a periodic amount or within a price range determined by the Board; or
- (g) The appointment of other committees of the Board or the members thereof.

Any such committee must be designated, and the members or alternate members thereof appointed, by resolution adopted by a majority of the authorized number of directors and any such committee may be designated an Executive Committee or by such other name as the Board shall specify. Alternate members of a committee may replace any absent member at any

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meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other action of any such committee shall be governed by the provisions of this Article applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

Section 16. STANDING COMMITTEES.

The Board may have the following standing committees: Audit; Executive; Nominating; and Compensation.

- (a) Audit Committee. The Audit Committee shall be responsible for

reviewing the activities of the corporation to ensure that such activities are being conducted within the boundaries of corporate policy and appropriate regulatory and legal requirements. The Audit Committee also shall make recommendations to the Board after consultation with the Chief Financial Officer as to the selection of independent public accountants to examine the consolidated financial statements of the corporation and its subsidiaries. The Audit Committee also shall discuss with the independent public accountants the scope of their examination, recommend supplemental audit reviews or audit steps as deemed desirable, and review the accounting policies of the corporation. The Audit Committee also shall be available to receive reports, suggestions, questions and recommendations from the independent public accountants, the Chief Financial Officer and the General Counsel. It also shall confer with those parties in order to assure

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the sufficiency and effectiveness of the programs being followed by corporate officers in the area of compliance with the law and conflicts of interest.

- (b) Executive Committee of the Board. The Executive Committee of the

Board shall have all of the authority of the Board, except with respect to the approval of any action which requires shareholder approval under the California General Corporation Law.

(c) Nominating Committee. The Nominating Committee shall recommend to

the Board criteria for the selection of candidates to serve on the Board, evaluate all proposed candidates, recommend to the Board nominees to fill vacancies on the Board, and prior to the annual meeting of shareholders recommend to the Board a slate of nominees for election to the Board by the shareholders of the Corporation at the annual meeting. In carrying out its duties, the committee shall seek possible candidates for the Board and otherwise aid in attracting qualified candidates to the Board. The committee shall be available to the Chair or President and other members of the Board for consultation concerning candidates for the Board. The committee shall periodically review, assess and make recommendations to the Board with regard to the size and composition of the Board. The committee shall have all additional powers necessary to carry out its responsibilities and such other duties as may be assigned by the Board from time to time.

The Nominating Committee also shall have the authority to administer a self appraisal process by Board members and make a report thereon to the full Board, from time to time, or as designated by the Board.

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(d) Compensation Committee. The Compensation Committee shall have the

responsibility for the compensation of the senior executives of the Corporation including salaries and benefits. In carrying out its duties, the committee shall review and approve overall executive compensation programs which are market competitive for the officers of the Corporation, and shall review the specific salaries of Executive Vice Presidents and senior vice presidents subject to the ratification of the salary programs established for the Chair and the Chief Executive Officer of the Corporation by the Board acting as a whole. The committee shall also review and make recommendations to the Board with respect to the Corporation's overall compensation program for directors and officers, including salaries, employee benefit plans, stock options granted, equity incentive plans and payment of bonuses. The committee shall also have all additional powers necessary to carry out its responsibilities and such other duties as may be assigned by the Board from time to time.

ARTICLE IV. Officers

Section 1. OFFICERS.

The senior officers of the corporation shall be a Chair of the Board, a President, a Chief Operating Officer, a Chief Financial Officer and a Secretary. The corporation may also have, at the discretion of the Board, a Chief Executive Officer, a Chief Administrative Officer, one or more Vice Chairs of the Board, one or more Vice Presidents, one or more Assistant Secretaries, Treasurers, Assistant Treasurers, and such other officers as may be elected or appointed in accordance with the provisions of Section 3 of this Article.

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Section 2. ELECTION OR APPOINTMENT.

The senior officers of the corporation shall be elected on an annual basis. In addition, other officers may be elected or appointed in accordance with the provisions of Section 5 of this Article. All officers, whether elected or appointed, shall be chosen annually by, and shall serve at the pleasure of, the Board, and shall hold their respective offices until their resignation, removal or other disqualification from service, or until their respective successors shall be elected.

The Board may elect, and may empower the Chair or the President to appoint, such other subordinate officers as the business of the corporation may require, each of whom shall hold office for such period and shall have such authority and perform such duties as are provided in these bylaws or as the Board may from time to time determine.

Section 3. ELECTED SENIOR OFFICERS.

The elected senior officers of the corporation shall have those positions and those duties named below in this Section 3. Further, in each case, the named officer also shall have the general powers and duties of governance or management usually vested in that office and such other powers and duties as may be prescribed by the Board.

In the case of the Chair of the Board, the Chair shall, if present, preside at all meetings of the Board and shall preside at all meetings of the shareholders. The Chair of the Board has the general powers and duties of management usually vested in the office of Chair of the board of a corporation and such other powers and duties as may be prescribed by the Board. The Chief Executive Officer shall be the senior executive officer of the corporation. The President has the general powers and duties of management of the corporation. The Chief

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Operating Officer shall have the general powers and duties to carry out general administrative and financial management of the corporation. The Board also may elect one or more Vice Chairs of the Board who, in the absence of the Chair, will assume the duties of that position.

In the absence or disability of the Chief Executive Officer, the President, the Chief Operating Officer, the Vice Chair, or any Executive Vice President designated by the Board, shall perform all the duties of the Chief Executive Officer and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer.

The Secretary shall keep or cause to be kept, at the principal executive office and such other place as the Board may order, a book of minutes of all meetings of shareholders, the Board and its committees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Board and committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, a copy of these bylaws of the corporation at the principal executive office or business office in accordance with Section 213 of the California Corporations Code.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, if one has been appointed, a share register, or a duplicate share register, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board and any committees thereof required by these bylaws or by law to

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be given, shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, and shall send or cause to be sent to the shareholders of the corporation such financial statements and reports as are by law or these bylaws required to be sent to them. The books of account shall at all times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the corporation as may be ordered by the Board, shall render to the Chair of the Board, the President and the directors, whenever they request it, an account of all transactions as Chief Financial

Officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 4. REMOVAL AND RESIGNATION.

Any officer elected by the Board may be removed only by the Board, either with or without cause, at any time. In the case of an officer not elected by the Board, such an officer may be removed by another officer upon whom such power of removal may be conferred by the Board. Any removal shall be without prejudice to the rights, if any, of the officer under any contract of employment of the officer.

Any officer may resign at any time by giving written notice to the corporation, subject to the rights of the corporation under any contract between the corporation and the

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officer. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular election or appointment to such office.

ARTICLE V. Other Provisions.

Section 1. INSPECTION OF CORPORATE RECORDS.

Shareholders of the corporation shall have those rights of inspection as to corporate records, including the record of shareholders, accounting books and records of meetings of the proceedings of the shareholders and the Board and committees of the Board as specified within Sections 1600 and 1601 of the California Corporations Code.

Section 2. INSPECTION OF BYLAWS.

The corporation shall keep in its principal executive office in the State of California, or if its principal executive office is not in such State at its principal business office in such State, the original or a copy of these bylaws as amended to date, which shall be open to inspection by shareholders at all reasonable times during office hours. If the principal executive office of the corporation is located outside the State of California and the corporation has no principal business office in such state, it shall upon the written request of any shareholder furnish to such shareholder a copy of these bylaws as amended to date.

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Section 3. ENDORSEMENT OF DOCUMENTS; CONTRACTS.

Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, share certificate, conveyance or other instrument in writing and any assignment or endorsements thereat executed or entered into between the corporation and any other person, when signed by the Chair of the Board, the Chief Executive Officer, the Chief Operating Officer, the President, the Vice Chair, an Executive Vice President, or any senior vice president and the Secretary, any Assistant Secretary, the Chief Financial Officer or any Assistant Treasurer of the corporation shall be valid and binding on the corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 4. CERTIFICATES OF STOCK.

Every holder of shares of the corporation shall be entitled to have a certificate signed in the name of the corporation by the Chair of the Board, the President, the Vice Chair and by the Chief Financial Officer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate

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is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Certificates for shares may be issued prior to full payment under such restrictions and for such purposes as the Board may provide; provided, however, that on any certificate issued to represent any partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated.

Except as provided in this Section, no new certificate for shares shall be issued in lieu of an old one unless the latter is surrendered and cancelled at the same time. The Board may, however, if any certificate for shares is alleged to have been lost, stolen or destroyed, authorize the issuance of a new certificate in lieu thereof, and the corporation may require that the corporation be given a bond or other adequate security sufficient to indemnify it against any claim that may be made against it (including expense or liability) on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

The Company shall not register the transfer of any securities issued in reliance on Regulation S promulgated under the Securities Act of 1933, as amended, unless the Company has received such assurances as it may reasonably request that the transfer of such securities was made in accordance with the provisions of such Regulation S.

Section 5. REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The Chair of the Board or any other officer or officers authorized by the Board or the Chair of the Board are each authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any other corporation or corporations

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standing in the name of the corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

Section 6. STOCK PURCHASE PLANS.

The corporation may adopt and carry out a stock purchase plan or agreement or stock option plan or agreement providing for the issue and sale for such consideration as may be fixed of its unissued shares, or of issued shares acquired or to be acquired, to one or more of the employees or directors of the corporation or of a subsidiary or to a trustee on their behalf and for the payment for such shares in installments or at one time, and may provide for aiding any such persons in paying for such shares by compensation for services rendered, promissory notes or otherwise.

Any such stock purchase plan or agreement or stock option plan or agreement may include, among other features, the fixing of eligibility for participation therein, the class and price of shares to be issued or sold under the plan or agreement, the number of shares which may be subscribed for, the method of payment therefor, the reservation of title until full payment therefor, the effect of the termination of employment, an option or obligation on the part of the corporation to repurchase the shares upon termination of employment, restrictions upon transfer of the shares, the time limits of and termination of the plan, and any other matters, not in violation of applicable law, as may be included in the plan as approved or authorized by the Board or any committee of the Board.

Section 7. ELECTION OF FISCAL YEAR.

Upon the election of the Board, the Board may authorize the change of the current Fiscal Year of the Corporation to begin on January 1 of each year and end on December 31 of each subsequent year.

Section 8. CONSTRUCTION AND DEFINITIONS.

Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Provisions of the California Corporations Code and in the California General Corporation Law shall govern the construction of these bylaws.

Section 9. AMENDMENTS.

These bylaws may be amended or repealed either by approval of the outstanding shares (as defined in Section 152 of the California Corporations Code) or by the approval of the Board, for those amendments to the bylaws for which approval of the Board alone is sufficient under the California Corporations Code.

Section 10. ANNUAL REPORT TO SHAREHOLDERS.

At any point at which the corporation has less than 100 holders of record of its shares (determined as provided within Section 605), this corporation expressly waives the annual report to shareholders referred to in Section 1501 of the California Corporations Code. Notwithstanding the waiver of such annual report by the corporation, nothing herein shall be interpreted as prohibiting the Board from issuing voluntary annual or other periodic reports to shareholders during such time as the corporation has less than 100 holders of record.

ARTICLE VI. Indemnification.

Section 1. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

(a) Indemnification. Each person who was or is a party or is

threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the corporation or otherwise and whether of a civil, criminal, administrative or investigative nature (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation, or any predecessor corporation, or is or was serving at the request of the corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity or in any other capacity while serving as a director or officer, shall, subject to the terms of any agreement between the corporation and such person, be indemnified and held harmless by the corporation to the fullest extent permissible under California law and the corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director or officer for acts or omissions while a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that (i) the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation; and (ii) the corporation shall indemnify any such person seeking indemnification in

connection with a proceeding (or part thereof) other than a proceeding by or in the name of the corporation to procure a judgment in its favor only if any

settlement of such a proceeding is approved in writing by the corporation. The right to indemnification conferred in this Article shall include the right to be paid by the corporation the expenses incurred in defending any proceeding in advance of final disposition to the fullest extent permitted by law; provided, however, that the payment under this Article of such expenses in advance of the final disposition of a proceeding shall be conditioned upon the delivery to the corporation of a written request for such advance and of an undertaking by or on behalf of the director or officer to repay all amounts so advanced if it shall be ultimately determined that such director or officer is not entitled to be indemnified.

(b) Loans to Officers and Directors. Pursuant to Subsection 315(b)

of the California Corporations Code (the "Code"), at such time, but only during such time, as the corporation shall have outstanding shares held of record by 100 or more persons (determined as provided in Section 605 of the Code), the Board of Directors shall have the sole authority to approve the loan by the corporation to, or approve a guarantee by the corporation of obligations of up to U.S.\$100,000 of, any director or officer of the corporation or of its parent, by a vote sufficient without counting the vote of any interested director or directors if the Board determines that such loan or guaranty may reasonably be expected to benefit the corporation.

(c) Indemnification for Joint and Several Liability. The corporation

shall indemnify any director of the corporation (pursuant to Section 317 of the California Corporations Code, permitting indemnification of agents of the corporation) for any damages arising from the imposition of joint and several liability under Section 316 of the California Corporations Code upon any director, except as prohibited by the California Corporations Code.

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(d) Exclusions and Limitations. Notwithstanding the foregoing or any

other provision under this Article, the corporation shall not be liable under this Article to indemnify a director or officer against expenses, liabilities or losses incurred or suffered in connection with, or make any advances with respect to, any proceeding against a director or officer: (i) except to the extent that the aggregate of losses to be indemnified exceeds the amount of such losses for which the director or officer is paid pursuant to (x) any directors' and officers' liability insurance policy maintained by the corporation or (y) any indemnification agreement from the corporation which provides for indemnification otherwise than pursuant to this Article; (ii) as to which the corporation is prohibited by applicable law from paying as an indemnity; (iii) with respect to expenses of defense or investigation, if such expenses were or are incurred without the corporation's consent (which consent may not be unreasonably withheld); (iv) as to circumstances in which indemnity is expressly prohibited by Section 317 of the General Corporation Law of California (the "Law"); (v) brought by or in right of the corporation for breach of duty to the corporation or its shareholders for (A) acts or omissions involving intentional misconduct or knowing and culpable violation of law, (B) acts or omissions that the director or officer believes or believed to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director or officer, (C) any transaction from which the director or officer derived an improper personal benefit, (D) acts or omissions that show a reckless disregard for the director's or officer's duty to the corporation or its shareholders in circumstances in which the director or officer was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to the corporation or its shareholders, (E) acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's or officer's duties to the corporation or

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its shareholders, or (F) violation of the proper process for action by the Directors of the corporation specified within Sections 310 or 316 of the Law.

Section 2. INDEMNIFICATION OF CERTAIN EMPLOYEES AND AGENTS.

A person who was or is a party or is threatened to be made a party to or is involved in any proceeding by reason of the fact that he or she is or was

either an officer of the corporation, or an employee of senior associate title, or is or was serving at the request of the corporation in such capacity within another enterprise, including service with respect to employee benefit plans, whether the basis of such action is an alleged action or inaction in an official capacity or in any other capacity while serving in such capacity may, subject to the terms of any agreement between the corporation and such person, be indemnified and held harmless by the corporation to the fullest extent permitted by California law and the corporation's Articles of Incorporation against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. The Board or a committee of the Board shall have the discretion to indemnify all other employees of the corporation to the same extent, for those actions taken in the course of their employment and within the scope of their duties.

Section 3. RIGHTS OF DIRECTORS AND OFFICERS TO BRING SUIT.

If a claim under Section 1 of this Article is not paid in full by the corporation within 60 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim

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and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim.

Section 4. SUCCESSFUL DEFENSE.

Notwithstanding any other provision of this Article, to the extent that a director or officer has been successful on the merits or otherwise (including the dismissal of an action without prejudice or the settlement of proceeding or action without admission of liability) in defense of any proceeding referred to in Section 1 or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. NON-EXCLUSIVITY OF RIGHTS.

The right to indemnification provided by this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

Section 6. INSURANCE.

The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the law.

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Section 7. EXPENSES AS A WITNESS.

To the extent that any director, officer, employee or agent of the corporation is by reason at such position, or a position with another entity at the request of the corporation, a witness in any action, suit or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

Section 8. INDEMNITY AGREEMENTS.

The corporation may enter into agreements with any director, officer, employee or agent of the corporation, providing for indemnification to the fullest extent permissible under the law and the corporation's Articles of Incorporation.

Section 9. SEPARABILITY.

Each and every paragraph, sentence, term and provision of this Article is separate and distinct so that if any paragraph, sentence, term or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the corporation and claimant, the broadest possible indemnification permitted under applicable law.

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Section 10. SUBROGATION.

In the event of payment by the corporation of a claim under Section 1 of this Article, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnified person, who shall execute all papers required and shall do everything that may be necessary or appropriate to secure such rights, including the execution of such documents necessary or appropriate to enable the corporation effectively to bring suit to enforce such rights.

Section 11. EFFECT OF REPEAL OR MODIFICATION.

Any repeal or modification of this Article shall not adversely affect any right of indemnification of a director or officer existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification.

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (the "Agreement") dated as of December 31, 1994 is entered into by and among Korn/Ferry International, a California corporation (the "Company"), and those holders of shares of Common Stock, Phantom Units and SARs of the Company whose names and signatures appear on the signature pages hereof (each, a "Security Holder," and together, the "Security Holders").

RECITALS

A. The Security Holders own certain shares of Common Stock of the Company, certain phantom shares issued under the Korn/Ferry International Phantom Stock Plan, effective May 1, 1998 (the "Phantom Units"), and certain stock appreciation rights issued under the Korn/Ferry International Amended and Restated Stock Right Plan, as originally adopted June 12, 1991, effective as of May 1, 1991, and amended December 21, 1992 (the "SARs").

B. The Company desires to purchase from those Security Holders with shares of Common Stock set forth in Item 1 under their names on Schedule 1 (the "Shareholders"), and each such Shareholder desires to sell such shares of Common Stock (the "Common Shares") to the Company, on the terms and subject to the conditions set forth in this Agreement;

C. The Company and those Security Holders with Phantom Units or SARs set forth in Items 5 or 6 under their names on Schedule 1 (the "Rightholders") desire to set forth their agreement regarding the disposition of such Phantom Units or SARs (collectively, the "Rights"), on the terms and subject to the conditions set forth in this Agreement.

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

1. EFFECTIVENESS. This Agreement will become effective as to each Security Holder as of the date set forth below such Security Holder's name on the signature pages hereof (each, an "Effective Date").
2. DEFINITIONS. In addition to the terms defined in this Agreement, the following definitions shall apply:

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

"Extraordinary Transaction" means (i) any Public Offering, (ii) the sale of all or substantially all of the Company's assets; (iii) any reorganization, merger,

consolidation or similar transaction, in each case, unless, following such transaction, all or substantially all of the individuals and entities who were the beneficial owners of the Company's securities immediately prior to such transaction, beneficially own, directly or indirectly, at least 90% of the then outstanding voting securities of the corporation or other entity resulting from such transaction; (iv) a complete liquidation or dissolution of the Company; or (v) the issuance of shares of the Company's capital stock if, following such issuance, in excess of 10% of the shares of capital stock outstanding (giving effect to such issuance), would be held by a holder or holders who are not at the time of the issuance employees of the Company or its affiliates or employee benefit plans (or related trusts) sponsored or maintained by the Company or its affiliates.

"First Installment" means one sixth of the Phantom Units or SARs (as the case may be), in each case rounded up to the nearest whole Phantom Unit or SAR to be disposed of pursuant to this Agreement by each Rightholder, which number is set forth as Item 7 under each Rightholder's name on Schedule 1.

"First Installment Value" means, with respect to each Rightholder, the product of (x) the number of Rights comprising the First

Installment of such Rightholder, multiplied by (y) \$7.29, which amount is set forth in Item 8 under each Rightholder's name on Schedule 1.

"Majority in Interest" means Security Holders who hold Promissory Notes, the aggregate principal amount of which represents 50% or more of the total principal amount outstanding under the Promissory Notes as of the time a determination is made.

"Net Value of Common Shares" means the amount set forth in Item 4 under each Shareholder's name on Schedule 1, which amount equals the Value of Common Shares being sold by such Shareholder minus any amounts owing by such Shareholder to the Company.

"Preferred Shares" means shares of the Company's Series A Preferred Stock to be issued under the Certificate of Determination attached as Exhibit A hereto.

"Promissory Note" means a promissory note of the Company substantially in the form attached as Exhibit B hereto.

"Public Offering" means the sale of Common Shares by the Company or its shareholders pursuant to a registration statement filed with the Securities and Exchange Commission under the Act to purchasers who are not at the time of the sale (x) employees of the Company or (y) employee benefit plans (or related trusts) sponsored or maintained by the Company or its affiliates.

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"Subsequent Installment" means, with respect to each Rightholder, a number of Rights equal to (x) the number of Rights set forth under such Rightholder's name on Schedule 1, less the number of Rights included in such Rightholder's First Installment, divided by (y) five.

"Subsequent Installment Value" means, with respect to each Right included in Subsequent Installment, the sum of (X) \$7.29, plus (y) an amount equal to interest thereon at a fixed annual rate of 8.5% (the reference rate of Bank of America as of the date hereof) accruing from the date hereof to the date of payment.

"Terminated for Cause" means that an employee's employment has been terminated by the Company due to the employee's act of fraud against the Company or any criminal act.

"Value of Common Shares" means, with respect to each Shareholder, the dollar amounts set forth in Item 3 under such Shareholder's name on Schedule 1, which amount equals the number of Common Shares being sold by such Shareholder multiplied by the Value Per Share.

"Value Per Share" means \$7.29, an amount equal to the book value of a Common Share as of April 30, 1994 determined in accordance with generally accepted accounting principles applied in accordance with the usual accounting practices of the Company, increased by 10% of such book value to reflect a pro rata share of the estimated 15% return on equity for the Company's fiscal year ended April 30, 1995.

3. AMENDMENT TO PRIOR AGREEMENTS. The Company and Rightholders, only

with respect to the Rights disposed of hereunder, hereby amend any and all prior agreements regarding the Rights, and waive all terms of the plans under which the Rights were issued, in both cases to the full extent necessary to give effect to the terms of this Agreement.

4. TRANSACTIONS ON THE CLOSING DATE.

(a) Purchase and Sale of Common Shares. On the respective

Effective Dates and subject to the terms and conditions set forth in this Agreement, the Company shall purchase the Common Shares from each Shareholder.

(b) Disposition of First Installment. On the respective

Effective Dates and subject to the terms and conditions set forth in this Agreement, each Rightholder shall transfer to the Company, and the Company shall

terminate and cancel, the Rights included in such Rightholder's First Installment.

(c) Closing of Transactions. The closing of the purchase and sale

of the Common Shares and/or transfer and cancellation of the Rights included in the First Installment (as the case may be) from each Security Holder shall take place

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concurrently with the execution of this Agreement (the "Closing") by such Security Holder. At each Closing, the Company shall deliver (i) to each Shareholder, the Purchase Price for the Common Shares payable to such Shareholder as described in Section 4 and Schedule 1, and (ii) to each Rightholder, the First Installment Value payable to such Rightholder as described in Section 4 and Schedule 1, and (b)(i) each Shareholder shall deliver to the Company Certificates representing the Common Shares being sold by such Shareholder duly endorsed in blank, to the extent not already in the Company's possession pursuant to existing agreements between the Company and such Shareholder, and an instrument of transfer with respect to such Common Shares in substantially the form of Exhibit C hereto, and (ii) each Rightholder shall deliver to the Company an instrument of transfer with respect to all the Rights comprising such Rightholder's First Installment in substantially the form of Exhibit C hereto.

5. PAYMENTS TO SECURITY HOLDERS.

(a) Purchase Price for Common Shares. The purchase price to be

paid to each Shareholder by the Company for his Common Shares at the respective Closing shall be the applicable Net Value of Common Shares (the "Purchase Price"), which amount is set forth in Item 4 under such Shareholder's name on Schedule 1. The Company shall pay the Purchase Price as follows:

(i) 16.66% of Net Value of Common Shares in cash;

(ii) 82.34% of Net Value of Common Shares by delivery of a Promissory Note dated as of the date of the respective Closing, in a principal amount equal to 82.34% of Net Value of Common Shares as set forth in Item 10 under such Shareholder's name on Schedule 1; and

(iii) 1% of Net Value of Common Shares by delivery of the number of Preferred Shares set forth in Item 11 under such Shareholder's name on Schedule 1, it being understood that in lieu of issuing a fractional share, the Company shall pay the Net Value of Common Shares attributable to such fractional share in cash.

(b) First Installment. At the respective Closing, the Company

will pay each Rightholder in cash the First Installment Value.

(c) Total Consideration. The total amount of cash, principal

amount of the Promissory Note and the number of Preferred Shares to be paid to each Security Holder at the respective Closing for such Security Holder are set forth in Items 9, 10 and 11, respectively, under such Security Holder's name on Schedule 1.

(d) Withholding. The Company shall withhold from any payment

hereunder such amounts as are required by the laws of any applicable taxing jurisdiction. Such withheld amounts shall be treated as paid hereunder to the person on whose account the withholding was imposed for all purposes hereunder.

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6. DISPOSITION OF REMAINING RIGHTS. The Company and each Rightholder

agree that such Rightholder shall transfer to the Company, and the Company shall cancel and terminate, a Subsequent Installment of rights on each December 31st beginning December 31, 1995 and concluding December 31, 1999. In consideration of the transfer of each Subsequent Installment, the Company shall pay each Rightholder in cash the Subsequent Installment Value attributable to the Rights included in such Rightholder's Subsequent Installment. Upon delivery of the Subsequent Installment Value, each such Security Holder shall deliver to the Company a new instrument of transfer in substantially the form of Exhibit C with respect to the Rights comprising such Subsequent Installment. Each Rightholder acknowledges and agrees that the foregoing agreement constitutes an unfunded and unsecured obligation of the Company.

7. REPRESENTATIONS.

(a) As of the applicable Effective Date, each Security Holder represents and warrants to the Company that: (i) such Security Holder owns the Common Shares and/or Rights (as the case may be) free of all liens, claims, options, pledges, security interests, rights of others, encumbrances and restrictions; (ii) in deciding to sell the Common Shares and dispose of the Rights as provided in this Agreement, such Security Holder has been afforded the opportunity to ask for, obtain and review all information concerning the condition (financial and other) of the Company that such Security Holder considers relevant; (iii) such Security Holder has the power and authority to enter into and perform the transactions contemplated hereby; (iv) this Agreement and the documents and instruments delivered pursuant to this Agreement, to the extent such Security Holder is a party thereto, constitute the legally valid and binding obligations of such Security Holder, enforceable against such Security Holder in accordance with their respective terms; (v) the execution, delivery and performance of this Agreement will not conflict with, result in a material violation or breach of any of the terms of, or constitute a default under, any other agreement to which such Security Holder is a party; and (vi) if applicable, the Preferred Shares acquired hereunder are being acquired for such Security Holder's own account and for investment purposes only, and not with a view to or for sale in connection with any distribution, resale or disposition of the Preferred Shares. Upon execution of this Agreement, a consent of spouse executed by the wife of each Security Holder in the form of Exhibit F shall be delivered to the Company. Each Security Holder represents to the Company that such consent is valid, legally binding and enforceable by the Company, is in full force and effect and constitutes the sole consent by the holder of a community property interest in the assets being acquired that is required, if any is required, to permit such Security Holder to consummate the transactions contemplated by this Agreement.

(b) The Company represents and warrants to each Security Holder that: (i) it has full power and authority to enter into and perform the transactions contemplated hereby; (ii) such transactions and their performance hereunder by the Company have been duly authorized by all necessary corporation action on the part of

the Company; (iii) no further action or approvals are required to enable it to enter into and perform the transactions contemplated hereby; and (iv) this Agreement and the documents and instruments delivered pursuant to this Agreement, to the extent the Company is a party thereto, constitute the legally valid and binding obligations of the Company, enforceable against it in accordance with their respective terms.

8. CONTINGENT PURCHASE PRICE IN THE EVENT OF A PUBLIC OFFERING.

(a) If the Company engages in an Extraordinary Transaction at any time prior to December 31, 2004, each Security Holder shall be entitled to receive from the Company the Contingent Purchase Price, as defined and calculated in paragraph (b) below; provided, however, that such Security Holder

has neither voluntarily terminated his employment with the Company nor been Terminated for Cause prior to the closing date of such Extraordinary Transaction.

(b) With respect to each Security Holder, "Contingent Purchase Price" shall mean an amount equal to (i) the amount such Security Holder would have received had such Security Holder held the Common Shares and/or Rights sold

hereunder until the closing date of the Extraordinary Transaction (with the number of Common Shares and/or Rights proportionately increased or decreased to reflect any stock splits or reverse stock splits, stock dividends or other recapitalization or reclassification affecting Common Shares), and sold such Common Shares and/or Rights to the Company for the per share price in the form of cash, promissory notes, stock of another company, or other property received by the Company or its shareholders in the Extraordinary Transaction (the "Sale Proceeds"), reduced by (ii) (A) in the case of Common Shares, the Net Value of

Common Shares applicable to such Shareholder plus interest thereon from the date hereof through the date of the Extraordinary Transaction at a fixed rate that is equal to 8.5% per annum, and/or (b) in the case of Rights, the product of (x) \$7.29 plus interest on such amount from the date hereof through the date of the Extraordinary Transaction at a fixed rate that is equal to 8.5% per annum, multiplied by (y) the number of Rights set forth under such Rightholder's name on Schedule 1.

(c) The Contingent Purchase Price shall be paid by Company to each Security Holder in cash concurrently with the consummation of the Extraordinary Transaction, if and to the extent the Sale Proceeds are paid in cash. To the extent the Sale Proceeds are not paid in cash, the Contingent Purchase Price shall be paid in kind concurrently with the consummation of the Extraordinary Transaction, to the extent reasonably feasible. To the extent not reasonably feasible to pay the Contingent Purchase Price in kind at such time, the Contingent Purchase Price shall be an additional obligation of Company to each Security Holder, payable in a manner and at a time which reasonably approximates Company's (or its shareholders') receipt of Sale Proceeds. As an example of the foregoing, if there is an Extraordinary Transaction for which the price per share is one hundred fifty percent (150%) of the price paid hereunder for each

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Common Share or Right (plus interest thereon as set forth above) and the Sales Proceeds are paid one-half (1/2) in cash and one-half (1/2) by a promissory note due and payable in one (1) year, then the Contingent Purchase Price per Common Share and/or Right will be equal to fifty percent (50%) of the price paid hereunder for each Common Share or Right. The Company will be required to pay one-half (1/2) of such increased amount in cash upon its (or its shareholders') receipt of the Sale Proceeds and one-half (1/2) one (1) year later, upon its (or its shareholders') receipt of the remaining balance. The latter obligation must be evidenced by an assignment of a portion of the note received as Sale Proceeds, if reasonably feasible, or, if not reasonably feasible, by a separate note from the Company, payable upon receipt of cash from the Extraordinary Transaction. As an additional example, if, instead of a promissory note, the noncash consideration is restricted stock, portions of which cannot be transferred to the Security Holders, then the amount of the Contingent Purchase Price represented by the restricted stock shall be valued as of the date of the Extraordinary Transaction and thereafter paid by Company (and evidenced by a promissory note) to the Security Holders at the time(s) that such restricted stock is freely tradeable.

9. CERTAIN AGREEMENTS REGARDING THE PREFERRED SHARES.

(a) Company's Repurchase Option. Each Shareholder to be

issued Preferred Shares hereunder hereby grants to the Company an option (an "Option") to purchase all, but not less than all, of such Shareholder's Preferred Shares upon the occurrence of any one of the following events: (i) the consummation of a Public Offering; (ii) the death of such Shareholder; or (iii) the death of Richard M. Ferry. Each Option shall be exercisable by the Company by written notice to the applicable Shareholder(s) at any time prior to the payment in full of the Promissory Notes. Such notice shall specify the time, date and place of the closing of the purchase of Preferred Shares pursuant to the Option, which shall be at the principal offices of the Company during normal business hours not less than five nor more than 30 days after the date of the notice. At the closing of any purchase of Preferred Shares pursuant to an Option, (a) in the case of either clause (ii) or clause (iii), each Shareholder from whom the Company purchases Preferred Shares shall be entitled to receive from the Company an amount in cash as the purchase price for the Preferred Shares equal to the then Liquidation Value (as defined in Exhibit A) of such Preferred Shares, and (b) in the case of clause (i), each Shareholder from whom the Company purchases Preferred Shares shall be entitled to receive from the

Company an amount in cash as the purchase price for the Preferred Shares equal to one hundred fifty percent (150%) of the then Liquidation Value of such Preferred Shares.

(b) Pledge to Secure Options.

(i) Each Shareholder to be issued Preferred Shares hereunder hereby pledges to the Company, and hereby grants to the Company a security interest in, all of such Shareholder's right, title and interest in and to the Preferred Shares (the "Pledged Shares"), the certificates representing the Pledged Shares and any

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interest of such Shareholder therein and in the proceeds thereof (the "Pledged Collateral"). The term "proceeds" includes whatever is receivable or received when Pledged Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

(ii) The Pledged Collateral is pledged to secure the performance in full of all obligations of every nature of each such Shareholder now or hereafter existing under or arising out of or in connection with this Agreement (including, without limitation, the obligations of such Shareholder under the Option granted by such Shareholder) (the "Secured Obligations").

(iii) This paragraph (b) shall create a continuing security interest in the Pledged Collateral and shall remain in full force and effect until the payment in full of the Promissory Note held by such Shareholder and the expiration of the Option granted by such Shareholder.

(c) Agreement Regarding Extraordinary Transactions. Each

Shareholder agrees that if holders of at least 66-2/3% of the outstanding shares of Common Stock of the Company vote in favor of an Extraordinary Transaction, such Shareholder will vote his Preferred Shares in favor of such Extraordinary Transaction.

(d) Delivery of Proxy. In connection with the grant of the

Option and the pledge of the Pledged Collateral hereunder, and to protect the interests of the holders of Common Stock under paragraph (c) above, each Shareholder shall deliver an irrevocable proxy in the form of Exhibit F.

(e) Redemption. Without prejudice to or limitation in any way

of the Company's rights under the Options, the Company agrees that it will not redeem any Preferred Shares pursuant to the redemption provisions contained in the Certificate of Determination providing for such Preferred Shares (see Exhibit A) until the Promissory Notes have been paid in full. The Company further agrees that, upon payment in full of the Promissory Notes, it will redeem the Preferred Shares and, if the Company fails to do so, that it will redeem upon the written demand of the holders of a majority of the Preferred Shares then outstanding; provided, however, that the Company is at that time

legally permitted to redeem the Preferred Shares.

(f) Transfer of Preferred Shares. Each Shareholder agrees that

such Shareholder shall not sell, transfer, hypothecate, pledge or otherwise transfer or encumber the Preferred Shares (a "Transfer"), in whole or in part, prior to the payment in full of the Promissory Note held by such Shareholder and the expiration of the Option. Thereafter, such Shareholder shall only Transfer the Preferred Shares in compliance with the terms of the Preferred Shares as set forth in Exhibit A.

(g) Company as Pledgee and Custodian. The Company will hold the

certificates evidencing the Preferred Shares as pledgee for the duration of the pledge

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set forth in paragraph (b) above to protect its rights thereunder and thereafter as custodian to protect its redemption rights and to secure the Security Holders' agreement set forth in paragraph (f) above. In furtherance thereof, each Security Holder receiving Preferred Shares shall execute and deliver to the Company an assignment in blank in the form of Exhibit D hereto, for the transfer of such certificates. The Company will deliver to each Security Holder a receipt for such Shares in the form of Exhibit E hereto.

(d) No Registration or Qualification. Each Security Holder

receiving Preferred Shares acknowledges and agrees with the Company that (i) the Preferred Shares have not been, and will not be, registered under the Act, or qualified under any state securities laws, and (ii) any sale or other disposition of the Preferred Shares by such Security Holder will be limited to a transaction permitted by this Agreement and the terms of the Preferred Shares and as to which, in each instance, an exemption from the registration requirements of the Act and any applicable requirements under state securities laws can be established to the satisfaction of the Company.

10. CERTAIN AGREEMENTS REGARDING THE PROMISSORY NOTES.

(a) Exercise of Remedies as a Group. Notwithstanding anything

to the contrary contained in any Promissory Note or in any other agreement to which any Security Holder may now or hereafter be a party, the Security Holders receiving Promissory Notes hereunder agree that the rights and remedies of such Security Holders upon an Event of Default (as defined in the Promissory Notes) shall be determined as set forth in this Section. Such Security Holders agree that upon the occurrence of an Event of Default, any action seeking to accelerate the amounts remaining under the Promissory Notes, to collect such accelerated amounts, or otherwise to exercise remedies all or any of such Security Holders may have, shall only be taken by such Security Holders as a group. The written consent of a Majority in Interest shall govern the actions of the Security Holders. Each Security Holder agrees to join in any action approved by a Majority in Interest and to refrain from taking any such action not so approved. Notwithstanding the foregoing, the right of any Security Holder to receive scheduled payments of principal of and interest on such Security Holder's Promissory Note on or after the respective due dates set forth in the Promissory Notes shall not be impaired or affected without the consent of such Security Holder.

(b) Amounts Held in Trust. Regardless of whether the consent of

the Majority in Interest is obtained or any action is taken by the Security Holders holding Promissory Notes, such Security Holders agree that all amounts received by any of them in excess of the scheduled payments under the Promissory Notes shall be held in trust by such Security Holder(s) and shall be applied as follows: (i) first, to the payment in full of all costs and expenses, if any, incurred by such Security Holders in connection with obtaining such amounts; and (ii) second, to the payment in full of the amounts then outstanding under the Promissory Notes, pro rata in accordance with the respective amounts owing each such Security Holder thereunder.

11. MISCELLANEOUS.

(a) Amendment. No change, amendment or modification of this

Agreement shall be valid unless it is in writing and signed by the Company and a majority in number and a Majority in Interest of the Security Holders.

(b) Entire Agreement. This Agreement contains the entire

agreement of the parties hereto and supersedes any prior written or oral agreements between them concerning the subject matter contained herein.

(c) Counterparts. This Agreement may be executed in

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

(d) Waiver. No waiver of any right pursuant hereto or waiver

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

(a) Headings. The headings of the various sections herein are

solely for the convenience of the parties and shall not effect or control the meaning or construction of this Agreement.

(b) Notices. Any notice required or permitted to be given

hereunder shall be in writing and shall be mailed first class, postage prepaid, or shall be personally delivered. Any communication so addressed and mailed shall be deemed to be given seven days after mailing and any communication delivered in person shall be deemed to be given when receipted for, or actually received by, the recipient. All such communications shall be addressed as follows:

If to the Company:

Korn/Ferry International
1800 Century Park East
Suite 900
Los Angeles, California 90067
Attn: Corporate Office - Vice President - Administration

If to the Security Holders:

At each Security Holder's address as shown in the Company's books or to such other address as is provided by the parties hereto from time to time.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year written below.

KORN/FERRY INTERNATIONAL,
a California corporation

By: /s/ Norman A. Glick

Name: Norman A. Glick
Title: Treasurer

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SECURITY HOLDERS

/s/ Richard Ferry

RICHARD FERRY
Dated: 1/5/95

CALIFORNIA COMMUNITY FOUNDATION

By: /s/ Richard Ferry

Richard Ferry, as Co-Trustee

and By: /s/ Jack Shakely

Jack Shakely, as Co-Trustee

Dated: January 5, 1995

CALIFORNIA COMMUNITY FOUNDATION

By: /s/ Jack Shakely

Name: Jack Shakely
Title: President

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

By: _____
HENRY B. TURNER, Trustee

and

By: /s/ Peter W. Mullin

PETER W. MULLIN, Trustee
Dated: _____

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/s/ John P. Bassler

JOHN P. BASSLER
Dated: January 5, 1995

/s/ Heinrich Eichenberger

HEINRICH EICHENBERGER
Dated: January 5, 1995

/s/ John G. Harlow

JOHN G. HARLOW
Dated: January 5, 1995

/s/ James N. Heuerman

JAMES N. HEUERMAN
Dated: January 5, 1995

/s/ Johan Lap

JOHAN LAP
Dated: December 31, 1994

/s/ Horacio McCoy

HORACIO McCOY
Dated: January 5, 1995

/s/ Windle B. Priem

WINDLE B. PRIEM
Dated: December 31, 1994

/s/ Bernard H. Schulte

BERNARD H. SCHULTE
Dated: January 5, 1995

/s/ Gary W. Silverman

GARY W. SILVERMAN
Dated: December 31, 1994

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/s/ Jean-Marie Van Den Borre

JEAN-MARIE VAN DEN BORRE
Dated: 12-31-1994

/s/ Ronald H. Walker

RONALD H. WALKER
Dated: January 5, 1995

/s/ Daniel Wilberz

DANIEL WILBERZ
Dated: January 5, 1995

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SCHEDULE 1

(See Attached)

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FORM OF TERMINATION AND CONVERSION AGREEMENT
(for Stock Appreciation Rights)

This Termination and Conversion Agreement dated as of June 30, 1998 (the "Agreement"), is entered into by and between Korn/Ferry International, a California corporation (the "Company") and ((NAME)) (the "Rightholder"). (Capitalized terms used but not defined in this Agreement have the meanings ascribed to such terms in the Korn/Ferry International Amended and Restated Stock Right Plan (the "Plan Agreement").)

R E C I T A L S

A. The Company and the Rightholder entered into the Korn/Ferry International Stock Right Plan on June 12, 1991, to be effective as of May 1, 1991, and it subsequently became subject to the Korn/Ferry International Amended and Restated Stock Right Plan on December 21, 1992.

B. The Board of Directors of the Company, at its July 24, 1998 Meeting of the Board, authorized the termination of the Plan Agreement effective as of June 30, 1998 and the conversion of each Right issued pursuant to the Plan Agreement into the Company's common stock, no par value (the "Common Stock") effective as of June 30, 1998 and in an amount to be determined by dividing the Book Value per share of the Common Stock into the outstanding cash value of the Rights.

C. Accordingly, the purpose of this Agreement is to provide for the terms and conditions for the termination of the Plan Agreement and the cancellation of all rights thereunder, as well as the conversion of Rights held thereunder into shares of Common Stock for the holder of each such Right (the "Rightholder," also to be referenced herein as the "Executive").

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the Company and the Rightholder pursuant to this Agreement hereby agree to the following terms and conditions described below.

ARTICLE I

DEFINITIONS

"Book Value" means the book value of a Share, as determined in accordance with generally accepted accounting principles applied in accordance with the usual accounting principles of the Company.

"Converted Common Stock" means that number of shares of Common Stock identified in Article IV, paragraph 1, to be issued by the Company pursuant to the conversion of Rights held under the Plan Agreement.

"Right" means the right for the Rightholder to receive a Share for each Right held by the Rightholder, upon authorization by the Board of Directors of the Company.

"Share" means a share of Common Stock.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby agrees, represents and warrants as follows:

(a) In consideration of (i) the Rightholder's agreement to the terms of and execution of the Agreement, (ii) the representations and warranties of the Rightholder as provided in Article III below and (iii) the Rightholder's agreement to surrender and cancel the Rights, and all rights thereunder, the Company will issue the Converted Common Stock to the

Rightholder.

(b) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California.

(c) The Company has all necessary corporate power and authority to execute, deliver and perform this Agreement.

(d) The Company has the power and authority to issue the Converted Common Stock to the Rightholder and such issuance will not conflict with any material agreement to which the Company is a party.

(e) Upon issuance in accordance with the terms of this agreement, each share of Converted Common Stock will be duly authorized, validly issued, fully paid and nonassessable.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE RighthOLDER

The Rightholder agrees, represents and warrants as follows:

(a) In consideration of the agreements, representations and warranties of the Company listed above and the Company's commitment to issue the Converted Common Stock to the Rightholder under the terms of this Agreement, the Rightholder agrees to the surrender and cancellation of the Rights and all rights thereunder.

(b) The Rightholder has the power and authority to surrender and cancel the Rights, and all rights thereunder, and such action will not conflict with any material agreement to which the Rightholder is a party.

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(c) The Rightholder owns all of the Rights beneficially and of record, and the Company is acquiring good and marketable title to and complete ownership of the Rights, free of any claim, charge, easement, encumbrance, lease, covenant, security interest, lien, option, pledge, rights of other, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law, equity or otherwise, except for any restriction on transfer generally arising under any applicable federal or state securities law.

(d) The Rightholder has not undertaken the transactions contemplated by this Agreement with actual intent to hinder, delay or defraud any entity to which the Rightholder is or will be indebted, and the Rightholder is not (i) receiving less than equivalent value in exchange for his/her undertakings or (ii) insolvent.

(e) In the event a tax is required to be withheld for a U.S. resident Rightholder in connection with the delivery of the Converted Common Stock under this Agreement, the Rightholder may elect any one, or any combination, of the following options: (i) to pay such withholding by check made payable to the Company, (ii) to have the Company reduce the number of shares of Converted Common Stock to be delivered under this Agreement by the appropriate number of shares to satisfy any such withholding obligation; or (iii) to provide for such withholding by execution of a promissory note in favor of the Company in the form attached hereto as Exhibit A to Attachment B. The Rightholder will elect the method for payment of any tax required to be withheld by the designation of such on the Election of Method for Payment of Withholding, attached hereto as Attachment B to this agreement. The value of the shares for this purpose shall be in a U.S. dollar amount per share of \$11.15.

(f) Non-U.S. resident Rightholder hereby agrees to be personally responsible for the payment of any and all foreign jurisdiction taxes for which he/she may be liable due to his/her receipt of the Converted Common Stock.

ARTICLE IV

AGREEMENTS AND COVENANTS

1. The Rightholder and the Company hereby agree to the issuance of ((SAR_UNIT)) shares of Common Stock in consideration for the Rights held under the Plan Agreement in accordance with this Agreement, less any shares of Common Stock held by the Company for withholding purposes, if any, upon the Unitholder's election as indicated by his/her completion of the Election of Method for Payment of Withholding in the form attached hereto as Attachment B. Such conversion will extinguish the Company's duties and responsibilities under the Plan Agreement and related documents.

2. The Rightholder and the Company hereby agree to the surrender and cancellation of all Rights held by the Rightholder, and all rights thereunder, in return for the issuance of the Converted Common Stock by the Company.

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3. The Rightholder and the Company hereby agree that the number of shares of Converted Common Stock to be issued to the Rightholder for the surrender and cancellation of the Rights will be based upon a conversion ratio whereby the number of shares of Common Stock to be issued will be determined by dividing the Book Value per share of the Common Stock into the outstanding cash value of the Rights.

4. The Rightholder and the Company hereby agree that the Company's calculation of ordinary income tax withholding is based on a conversion value of \$11.15 per share. A higher or lower value per share may be imposed, and if a higher value is imposed, the Rightholder's ordinary income tax liability would be increased proportionately. Therefore, the Company reserves the right, and the Rightholder agrees to such reservation, to deduct from the Rightholder's future compensation payments to offset any amount due for any additional tax liabilities or related corporate withholding obligations.

ARTICLE V

CONDITIONS TO EFFECTIVENESS

The obligations of the Company under this Agreement will not come due until the Rightholder has satisfied and complied with each of the conditions listed below:

(a) The Rightholder has returned this executed Agreement to the Company which will give effect to all the agreements, representations and warranties contained herein;

(b) The Rightholder has returned the executed Repurchase Agreement, and all exhibits thereto, attached hereto as Attachment A, which subjects the Converted Common Stock to certain transfer restrictions; and

(c) For each U.S. resident Rightholder, such U.S. resident Rightholder has returned (i) the executed Election of Method for Payment of Withholding attached hereto as Attachment B, (ii) the executed Promissory Note, if any, in the form attached hereto as Exhibit A to Attachment B and (iii) a check, if any, payable to the Company in the appropriate amount.

The above-described documents, are to be returned to Evelyn Y. Mak of the Company by no later than 5:00 (PDT) on Friday, September 18, 1998.

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This Agreement along with all attachments thereto will be binding upon the Rightholder and the Company in accordance with its terms upon execution by both parties.

KORN/FERRY INTERNATIONAL

By: _____
Name: Elizabeth S.C.S. Murray
Title: Executive VP & CFO

Acknowledged and Agreed to:

Signature: _____
Name: ((NAME))

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ATTACHMENT A

Repurchase Agreement

THIS REPURCHASE AGREEMENT (the "Repurchase Agreement") is executed as of June 30, 1998 by and between Korn/Ferry International, a California corporation (the "Company"), and ((NAME)) (the "Rightholder," or for purposes herein, the "Shareholder"). Pursuant to the Termination and Conversion Agreement (the "Agreement"), the Rightholder has agreed to receive shares of the Company's common stock, no par value (the "Common Stock") in return for the cancellation of certain Stock Appreciation Rights held by the Rightholder.

R E C I T A L S

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

B. The Company has authorized the conversion of the Rights held by the Rightholder under the Company's Amended and Restated Stock Right Plan for shares of Common Stock.

C. The Rightholder has decided to participate in such conversion, which will require the execution of certain documents with the Company, including this Repurchase Agreement.

NOW THEREFORE, in consideration of the foregoing and in consideration of the mutual promises contained within the Agreement between the same parties, the parties hereto agree as follows:

1. DEFINITIONS. For all purposes of this Repurchase Agreement, the following definitions apply:

"Agreement " means the Termination and Conversion Agreement, executed between the Rightholder and the Company in conjunction with this Repurchase Agreement.

"Book Value" means the book value of a Share, as determined in accordance with generally accepted accounting principles applied in accordance with the usual accounting practices of the Company.

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

"Promissory Note" means that promissory note that provides for the withholding for taxes by a Shareholder, if any, executed by a Shareholder in favor of the

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Company pursuant to the issuance of shares of Common Stock to the Shareholder under the Agreement.

"Shares" means shares of Common Stock acquired by the Shareholder under the Agreement to which this Repurchase Agreement is attached.

"Shareholder" means a Rightholder who has acquired shares of Common Stock pursuant to the Agreement.

"Value" means, for purposes of determining the price at which a Share will be repurchased by the Company under the terms of this Repurchase Agreement, the cash value of a Share will be (a) the Book Value of such Share as of the end

of the Fiscal Year immediately preceding such sale or purchase, or (b) such other value or formula for determining value as may be specified from time to time after the date hereof in a resolution adopted by the Board of Directors of the Company for purposes of this Repurchase Agreement.

2. COMPLIANCE WITH AGREEMENT. Except as expressly set forth herein, the

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

3. INVESTMENT INTENT. The Shareholder hereby represents and warrants to

the Company that the Shareholder's acquisition of the Shares has been made for his or her own account for investment purposes only, and not with a view to distribution or resale of the Shares. The issuance of the Shares has not been registered under the Securities Act of 1933, as amended, or the securities laws of any state. The Shareholder may not sell the Shares unless the sale has been so registered or unless, in the opinion of counsel satisfactory to the Company, such registration is not required.

4. RESTRICTION ON CERTIFICATES. The Shareholder understands and agrees

that the certificate(s) issued to him or her representing the Shares:

- (i) Shall contain the following legend:

"TRANSFER OF THE SHARES REPRESENTED BY THIS CERTIFICATE MAY REQUIRE REGISTRATION UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND THIS CERTIFICATE MAY NOT BE TRANSFERRED WITHOUT EVIDENCE OF SUCH REGISTRATION OR OF AN EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE ACT. THE RIGHT TO SELL, TRANSFER OR OTHERWISE DISPOSE OF OR PLEDGE THE SHARES REPRESENTED BY THIS CERTIFICATE IS PROHIBITED BY THE TERMS OF A

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REPURCHASE AGREEMENT. A COPY OF SUCH AGREEMENT IS ON FILE AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS."

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

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

"THE TRANSFER OF THESE SECURITIES IS PROHIBITED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED."

5. POSSESSION OF CERTIFICATES. The Company shall hold the certificates

evidencing the Shares as custodian to protect its interests hereunder. In furtherance thereof, the Shareholder shall execute and deliver to the Company an assignment in blank, in the form of Exhibit A to the Repurchase Agreement, for the transfer of such certificates. The Company will deliver to the Shareholder a receipt for such Shares in the form of Exhibit B to the Repurchase Agreement.

6. REPURCHASE OF SHARES BY COMPANY. Upon the termination of the

Shareholder's employment with the Company (for any reason whatsoever, including voluntary and involuntary termination, retirement, death or disability), the Shareholder shall sell, and the Company shall purchase, the Shares at a price per share equal to the Value of a share of Common Stock, subject to any prohibitions on the purchase of Shares by the Company under applicable law or any agreement binding on the Company. The Company and the Shareholder agree that the Company shall purchase the Shares on a date specified by the Company,

which shall not be later than ninety (90) days after termination of the Shareholder's employment with the Company. Notwithstanding the foregoing, if the Company is prohibited from purchasing the Shares by applicable law or by any contract or agreement binding on the Company, including without limitation any loan agreement, the Company will purchase the Shares as soon as practicable after it determines in good faith that it is legally and contractually permitted to do so. If there is a Promissory Note outstanding at the time of the Company's purchase under this section, the Company will, and the Shareholder hereby authorizes the Company to, offset against any amounts owing to the Shareholder by the Company with respect to Shares purchased hereunder any amounts outstanding for principal or accrued interest under the outstanding Promissory Note. Any amount so offset shall be deducted from the purchase price to be paid under this section upon the purchase of the Shares by the Company. The balance of the purchase price for the Shares, if any, shall be paid by the Company, in its sole and absolute discretion, either in cash or by delivery of a non-transferable promissory note in the form of Exhibit C hereto (the "Note"); provided, however, that if termination of employment is due to the Shareholders' death, the balance of the purchase price shall be paid in cash. The Note shall bear simple interest at Bank of America's (or its successor's) reference rate as of the date hereof and may be for a term of up to five years. The Note shall be paid in equal annual installments of principal plus all accrued and unpaid interest on the total principal amount. Subject to the preceding sentence, the actual term of the Note will be determined in the sole and absolute discretion of the Company. The

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indebtedness evidenced by the Note, both principal and interest, shall be subordinated and junior, to the extent set forth in the next sentence, to all indebtedness of the Company, both principal and interest (accrued and accruing thereon both before and after the date of filing a petition in any bankruptcy, insolvency, reorganization or receivership proceedings, whether or not allowed as a claim in such case or proceeding) in respect of borrowed money, whether outstanding on the date of the Note or thereafter created, incurred or assumed (collectively, the "Senior Debt"); provided, that such Senior Debt shall not include any obligation of the Company under the Equity Plan to repurchase shares of Common Stock. Upon the maturity of any of the Senior Debt by lapse of time, acceleration or otherwise, all principal of, and interest on, all such matured Senior Debt shall first be paid in full before any payment is made by the Company on account of principal of, or interest on, the Note.

7. ASSIGNMENT OF PURCHASE RIGHTS. The Company may assign, in whole or

part, its right to purchase the Shares under this Repurchase Agreement to a designee(s).

8. CHANGE IN MARITAL STATUS. In the event that the Shareholder's

marital status is altered by dissolution or divorce or by the death of the Shareholder's spouse, any interest of his or her former spouse in the Shares, whether as community property or as a result of a property settlement agreement, a divorce decree or other legal proceeding, may be purchased by the Company and shall be sold by the Shareholder's former spouse or his or her estate according to the provisions of this Repurchase Agreement. The Shareholder agrees to notify the Company of any change in marital status, including, without limitation, marriage, dissolution of marriage, divorce or death of spouse, within ten (10) business days of said event. The Shareholder agrees to cause any spouse who has not signed a consent to this Repurchase Agreement in the form of Exhibit D to do so at the time notice is given to the Company under this Section 9.

9. AMENDMENT. No change, amendment or modification of this Repurchase

Agreement shall be valid unless it is in writing and signed by the Company and the Shareholder.

10. REMEDIES. The parties agree that the Company will be irreparably

damaged in the event the agreements contained herein are not specifically enforced. If any dispute arises concerning the transfer of any Shares, an injunction may be issued restraining any such transfer pending the determination of such controversy. In the event of any controversy, such rights or obligations shall be enforceable in a court by a decree of specific performance. Such remedy shall, however, be cumulative and not exclusive, and shall be in addition to any other remedy which the Company may have.

11. EXPENSES. The Shareholder agrees to pay to the Company the amount of

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

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12. NOTICES. Any notice required or permitted to be given hereunder

shall be in writing and shall be mailed first-class, postage prepaid, or shall
be personally delivered, or shall be sent by telecopier. Any communication so
addressed and mailed shall be deemed to be given seven days after mailing and
any communication delivered in person shall be deemed to be given when received
for, or actually received by, an authorized officer of the recipient. All such
communications, if intended for the Company, shall be addressed to the Company
as follows:

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

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

13. GOVERNING LAW. All questions with respect to the construction of

this Repurchase Agreement and the rights and liabilities of the parties hereto
shall be governed by the laws of California.

14. SUCCESSORS AND ASSIGNS. Subject to the terms herein, this Repurchase

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

15. ENTIRE AGREEMENT. This Repurchase Agreement contains the entire

Repurchase Agreement of the parties hereto and supersedes any prior written or
oral agreements between them concerning the subject matter contained herein.
There are no representations, agreements, arrangements or understandings, oral
or written, between and among the parties hereto relating to the subject matter
contained in this Repurchase Agreement which are not fully set forth herein.

16. COUNTERPARTS. This Repurchase Agreement may be executed in

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

17. WAIVER. No waiver of any right pursuant hereto or waiver of any

breach hereof shall be effective unless in writing and signed by the party
waiving such right or breach. No waiver of any right or waiver of any breach
shall constitute a waiver of any other or

Att. A-5

similar right or breach, and no failure to enforce any right hereunder shall
preclude or affect the later enforcement of such right.

18. CAPTIONS. The captions of the various sections herein are solely for

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

19. SEVERABILITY. Should any portion of this Repurchase Agreement be

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

20. AGREEMENT AVAILABLE FOR INSPECTION. An original copy of this

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

21. REGULATION T, U OR X. The Company's possession of the certificates

evidencing the Shares pursuant to Section 5 of this Repurchase Agreement does not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System.

22. ADDITIONAL DOCUMENTS. The parties hereto agree to sign all the other

agreements necessary to effectuate this Repurchase Agreement.

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

SHAREHOLDER

By: _____
Name: ((NAME))

KORN/FERRY INTERNATIONAL

By: _____
Name: Elizabeth S.C.S. Murray
Title: Executive VP & CFO

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EXHIBIT A TO ATTACHMENT A

IRREVOCABLE STOCK ASSIGNMENT

For good and valuable consideration pursuant to the Repurchase Agreement, Attachment A to the Agreement, between the undersigned and Korn/Ferry International, the undersigned hereby sells, assigns and transfers to _____ shares of Common Stock of Korn/Ferry International, represented by Certificate No(s) _____ standing in the name of the undersigned on the books of said Company.

By: _____
Name: ((NAME))
Dated: June 30, 1998

WITNESS:

By: _____

Name: _____

Dated: June 30, 1998

Exh. A to Att. A

EXHIBIT B

RECEIPT

[SAMPLE ONLY]

[to be issued by the Company to the Shareholder upon issuance of stock certificate]

Korn/Ferry International, a California corporation (the "Company"), hereby acknowledges that it has received and is holding as custodian on behalf of _____, an employee of the Company (the "Executive"), _____ shares of Common Stock of the Company (the "Shares"), represented by certificate number _____, _____ and _____ issued on _____, 1998 in the name of Executive (copies of which are attached hereto), together with an Irrevocable Stock Assignment executed by Executive (the "Stock Assignment"). The Shares and the Stock Assignment are being held by the Company pursuant to and in accordance with the terms of that certain Repurchase Agreement between the Company and Executive.

KORN/FERRY INTERNATIONAL

By: _____
Name: _____
Title: _____

Dated: _____, 1998

Exh. B to Att. A

EXHIBIT C

KORN/FERRY INTERNATIONAL
NON-TRANSFERABLE SUBORDINATED PROMISSORY NOTE

[SAMPLE ONLY]
[to be used by the Company upon repurchase]

\$ _____, 19__

FOR VALUE RECEIVED, the undersigned, KORN/FERRY INTERNATIONAL, a California corporation (the "Company") hereby promises to pay to the order of _____ ("Payee") the principal sum of _____ dollars (\$ _____), plus interest on the unpaid balance thereof at the rate of _____% per annum [reference rate of Bank of America or its successor on the date hereof].

Payments of principal and interest hereunder shall be in lawful money of the United States of America and shall be payable in _____ (____) annual payments, the first such payment to be made on _____, 19__, and the final such payment to be made on _____, _____. Interest shall be simple interest and shall be paid on the basis of a 360-day year and a 30-day month.

Principal and interest on this note are payable, at _____, or such other place as Payee shall designate in writing for such purpose at least five business days in advance of the applicable payment date. Principal and interest on this note may be prepaid at any time, in whole or in part, without premium or penalty. The timely tender of any payment of principal or interest on this note shall be deemed to have been made if a check for such payment is mailed two business days before the day such payment is due.

If any payment of principal or interest on this note shall be due on a Saturday, Sunday or legal holiday under the laws of the State of California, or any other day on which banking institutions in the City of Los Angeles are obligated or authorized by law or executive order to close, such payment shall be made on the next succeeding business day in California, and any such extended time shall not be included in computing interest in connection with such payment.

The indebtedness evidenced by this note, both principal and interest, is subordinated and junior to the extent set forth in Section 6 of that certain Repurchase Agreement dated as of _____ between the Company and Payee.

Payee shall not sell, assign or otherwise transfer or dispose of all or any part of this note to any person, partnership, corporation, firm or other

entity, except with the prior written consent of the Company.

This note is made and delivered in California and shall be governed, construed and enforced according to the laws of the State of California.

KORN/FERRY INTERNATIONAL

By: _____

Name: _____

Title: _____

Exh. C to Att. A

EXHIBIT D

CONSENT OF SPOUSE OF SHAREHOLDER

The undersigned, being the spouse of the Shareholder, ((NAME)), who has signed the foregoing Repurchase Agreement with the Company, dated June 30, 1998, hereby acknowledges that he or she has read and is familiar with the provisions of the Repurchase Agreement including but not limited to Sections 4 and 6 thereof and agrees to be bound thereby and join therein to the extent, if any, that his or her agreement and joinder may be necessary. The undersigned hereby agrees that the Shareholder may join in any future amendment or modifications of the Agreement without any further signature, acknowledgment, agreement or consent on his or her part; and the undersigned hereby further agrees that any interest which he or she may have in the shares of Common Stock of the Company held by the Shareholder shall be subject to the provisions of this Repurchase Agreement.

By: _____

Name: _____

Dated: June 30, 1998

Exh. D to Att. A

ATTACHMENT B

FORM OF ELECTION OF METHOD FOR PAYMENT OF WITHHOLDING FOR TAXES
(TO BE EXECUTED BY U.S. RESIDENTS ONLY)

The Rightholder hereby commits, by his/her election of method of payment indicated below, to the payment of that amount needed to be withheld for the payment of the required taxes by the Company. Such withholding is pursuant to the issuance of Common Stock shares under the Termination and Conversion Agreement (the "Agreement"), executed by the Rightholder concurrently herewith and as described therein. The value of the shares for the purpose of valuing that amount shall be \$11.15 per share. The Rightholder has indicated his/her election by signing his/her initials in the appropriate places below.

Initial

_____ I hereby elect to pay my required withholding by my check, which I am transmitting herewith, made payable to the Company in the amount of ((SARCHECK_PAYMENT)).

_____ I hereby elect to have the Company reduce the number of shares of Converted Common Stock to be delivered under the Agreement by ((SARSHARE_REDUCTION)) shares to satisfy any such withholding obligation.

_____ I hereby elect to pay the required withholding amount of ((SARCHECK_PAYMENT)) through a promissory note, the form of which is attached as Exhibit A to this Attachment B.

Execution by Rightholder

Signature: _____
Name: ((NAME))

Att. B

EXHIBIT A TO ATTACHMENT B

[FORM OF PROMISSORY NOTE APPEARS ON THE FOLLOWING PAGE]

Exh. A to Att. B

PROMISSORY NOTE

((SARCHECK_PAYMENT))

JUNE 30, 1998

FOR VALUE RECEIVED, the undersigned promissor (the "Promissor") hereby promises to pay to the order of KORN/FERRY INTERNATIONAL, a California corporation (the "Company") the principal sum of ((SARCHECK_PAYMENT)), plus interest on the unpaid balance thereof at the rate of 8.50% per annum.

Payments of principal and interest hereunder shall be in lawful money of the United States of America and shall be payable in the amount of the entire principal sum of ((SARCHECK_PAYMENT)), plus interest due and owing under that certain Termination and Conversion Agreement dated as of June 30, 1998. Interest payable shall be simple interest and shall be paid on the basis of a 360-day year and a 30-day month.

The Principal and interest to be paid on this note shall be on April 30, 1999 at 1800 Century Park East, Suite 900, Los Angeles, California, 90067, or such other place as the Company shall designate in writing for such purpose at least five business days in advance of the applicable payment date. Principal and interest on this note may be prepaid at any time, in whole or in part, without premium or penalty.

If the date of payment of principal or interest on this note shall be due on a Saturday, Sunday or legal holiday under the laws of the State of California, or any other day on which banking institutions in the City of Los Angeles are obligated or authorized by law or executive order to close, such payment shall be made on the next succeeding business day in California, with such extended time shall not be included in computing interest in connection with such payment.

This note is made and delivered in California and shall be governed, construed and enforced according to the laws of the State of California.

PROMISSOR

By: _____
Name: ((NAME))

Exh. A to Att. B

FORM OF TERMINATION AND CONVERSION AGREEMENT
(FOR PHANTOM STOCK UNITS)

This Termination and Conversion Agreement dated as of June 30, 1998 (the "Agreement"), is entered into by and between Korn/Ferry International, a California corporation (the "Company") and ((NAME)) (the "Unitholder"). (Capitalized terms used but not defined in this Agreement have the meanings ascribed to such terms in the Korn/Ferry International Phantom Stock Plan (the "Plan Agreement").)

R E C I T A L S

A. The Company and the Unitholder entered into the Korn/Ferry International Phantom Stock Plan, adopted by the Company effective on May 1, 1988.

B. The Board of Directors of the Company, at its July 24, 1998 Meeting of the Board, authorized the termination of the Plan Agreement and the conversion of each Unit issued pursuant to the Plan Agreement into a share of the Company's common stock, no par value (the "Common Stock") effective as of June 30, 1998, and in an amount to be determined by dividing the Book Value per share of the Common Stock into the outstanding cash value of the Units.

C. Accordingly, the purpose of this Agreement is to provide for the terms and conditions for the termination of the Plan Agreement and the cancellation of all rights thereunder, as well as the conversion of Units held thereunder into shares of Common Stock for the holder of each such Unit (the "Unitholder," also to be referenced herein as the "Executive").

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the Company and the Unitholder pursuant to this Agreement hereby agree to the following terms and conditions described below.

ARTICLE I

DEFINITIONS

"Book Value" means the book value of a Share, as determined in accordance with generally accepted accounting principles applied in accordance with the usual accounting principles of the Company.

"Converted Common Stock" means that number of shares of Common Stock identified in Article IV, paragraph 1, to be issued by the Company pursuant to the conversion of Units held under the Plan Agreement.

"Share" means a share of Common Stock.

"Unit" means the right for the Unitholder to receive a Share for each Unit held by the Unitholder, upon authorization by the Board of Directors of the Company.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby agrees, represents and warrants as follows:

(a) In consideration of (i) the Unitholder's agreement to the terms of and execution of the Agreement, (ii) the representations and warranties of the Unitholder as provided in Article III below and (iii) the Unitholder's agreement to surrender and cancel the Units, and all rights thereunder, the Company will issue the Converted Common Stock to the Unitholder.

(b) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California.

(c) The Company has all necessary corporate power and authority to execute, deliver and perform this Agreement.

(d) The Company has the power and authority to issue the Converted Common Stock to the Unitholder and such issuance will not conflict with any material agreement to which the Company is a party.

(e) Upon issuance in accordance with the terms of this agreement, each share of Converted Common Stock will be duly authorized, validly issued, fully paid and nonassessable.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE UNITHOLDER

The Unitholder agrees, represents and warrants as follows:

(a) In consideration of the agreements, representations and warranties of the Company listed above and the Company's commitment to issue the Converted Common Stock to the Unitholder under the terms of this Agreement, the Unitholder agrees to the surrender and cancellation of the Units and all rights thereunder.

(b) The Unitholder has the power and authority to surrender and cancel the Units, and all rights thereunder, and such action will not conflict with any material agreement to which the Unitholder is a party.

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(c) The Unitholder owns all of the Units beneficially and of record, and the Company is acquiring good and marketable title to and complete ownership of the Units, free of any claim, charge, easement, encumbrance, lease, covenant, security interest, lien, option, pledge, rights of other, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law, equity or otherwise, except for any restriction on transfer generally arising under any applicable federal or state securities law.

(d) The Unitholder has not undertaken the transactions contemplated by this Agreement with actual intent to hinder, delay or defraud any entity to which the Unitholder is or will be indebted, and the Unitholder is not (i) receiving less than equivalent value in exchange for his/her undertakings or (ii) insolvent.

(e) In the event a tax is required to be withheld for a U.S. resident Unitholder in connection with the delivery of the Converted Common Stock under this Agreement, the Unitholder may elect any one, or any combination, of the following options: (i) to pay such withholding by check made payable to the Company; (ii) to have the Company reduce the number of shares of Converted Common Stock to be delivered under this Agreement by the appropriate number of shares to satisfy any such withholding obligation; or (iii) to provide for such withholding by execution of a promissory note in favor of the Company in the form attached hereto as Exhibit A to Attachment B. The Unitholder will elect the method for payment of any tax required to be withheld by the designation of such on the Election of Method for Payment of Withholding, attached hereto as Attachment B to this agreement. The value of the shares for this purpose shall be in a U.S. dollar amount per share of \$11.15.

(f) Non-U.S. resident Unitholder hereby agrees to be personally responsible for the payment of any and all foreign jurisdiction taxes for which he/she may be liable due to his/her receipt of the Converted Common Stock.

ARTICLE IV

AGREEMENTS AND COVENANTS

1. The Unitholder and the Company hereby agree to the issuance of

((PHANTOM_UNIT)) shares of Common Stock in consideration for the Units held under the Plan Agreement in accordance with this Agreement, less any shares of Common Stock held by the Company for withholding purposes, if any, upon the Unitholder's election as indicated by his/her completion of the Election of Method for Payment of Withholding in the form attached hereto as Attachment B. Such conversion will extinguish the Company's duties and responsibilities under the Plan Agreement and related documents.

2. The Unitholder and the Company hereby agree to the surrender and cancellation of all Units held by the Unitholder, and all rights thereunder, in return for the issuance of the Converted Common Stock by the Company.

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3. The Unitholder and the Company hereby agree that the number of shares of Converted Common Stock to be issued to the Unitholder for the surrender and cancellation of the Units will be based upon a conversion ratio whereby the number of shares of Common Stock to be issued will be determined by dividing the Book Value per share of the Common Stock into the outstanding cash value of the Units.

4. The Unitholder and the Company hereby agree that the Company's calculation of ordinary income tax withholding is based on a conversion value of \$11.15 per share. A higher or lower value per share may be imposed, and if a higher value is imposed, the Unitholder's ordinary income tax liability would be increased proportionately. Therefore, the Company reserves the right, and the Unitholder agrees to such reservation, to deduct from the Unitholder's future compensation payments to offset any amount due for any additional tax liabilities or related corporate withholding obligations.

ARTICLE V

CONDITIONS TO EFFECTIVENESS

The obligations of the Company under this Agreement will not come due until the Unitholder has satisfied and complied with each of the conditions listed below:

(a) The Unitholder has returned this executed Agreement to the Company which will give effect to all the agreements, representations and warranties contained herein;

(b) The Unitholder has returned the executed Repurchase Agreement, and all exhibits thereto, attached hereto as Attachment A, which subjects the Converted Common Stock to certain transfer restrictions; and

(c) For each U.S. resident Unitholder, such U.S. resident Unitholder has returned (i) the executed Election of Method for Payment of Withholding attached hereto as Attachment B, (ii) the executed Promissory Note, if any, in the form attached hereto as Exhibit A to Attachment B and (iii) a check, if any, payable to the Company in the appropriate amount.

The above-described documents, are to be returned to Evelyn Y. Mak of the Company by no later than 5:00 (PDT) on Friday, September 18, 1998.

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This Agreement along with all attachments thereto will be binding upon the Unitholder and the Company in accordance with its terms upon execution by both parties.

KORN/FERRY INTERNATIONAL

By: _____
Name: Elizabeth S.C.S. Murray
Title: Executive VP & CFO

Acknowledged and Agreed to:

Signature: _____
Name: ((NAME))

Attachment A

REPURCHASE AGREEMENT

THIS REPURCHASE AGREEMENT (the "Repurchase Agreement") is executed as of June 30, 1998 by and between Korn/Ferry International, a California corporation (the "Company"), and ((NAME)) (the "Unitholder," or for purposes herein, the "Shareholder"). Pursuant to the Termination and Conversion Agreement (the "Agreement"), the Unitholder has agreed to receive shares of the Company's common stock, no par value (the "Common Stock") in return for the cancellation of certain Phantom Stock Units held by the Unitholder.

R E C I T A L S

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

B. The Company has authorized the conversion of the Units held by the Unitholder under the Company's Phantom Stock Plan for shares of Common Stock.

C. The Unitholder has decided to participate in such conversion, which will require the execution of certain documents with the Company, including this Repurchase Agreement.

NOW THEREFORE, in consideration of the foregoing and in consideration of the mutual promises contained within the Agreement between the same parties, the parties hereto agree as follows:

1. DEFINITIONS. For all purposes of this Repurchase Agreement, the

following definitions apply:

"Agreement " means the Termination and Conversion Agreement, executed between the Unitholder and the Company in conjunction with this Repurchase Agreement.

"Book Value" means the book value of a Share, as determined in accordance with generally accepted accounting principles applied in accordance with the usual accounting practices of the Company.

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

"Promissory Note" means that promissory note that provides for the withholding for taxes by a Shareholder, if any, executed by a Shareholder in favor of the

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Company pursuant to the issuance of shares of Common Stock to the Shareholder under the Agreement.

"Shares" means shares of Common Stock acquired by the Shareholder under the Agreement to which this Repurchase Agreement is attached.

"Shareholder" means a Unitholder who has acquired shares of Common Stock pursuant to the Agreement.

"Value" means, for purposes of determining the price at which a Share will be repurchased by the Company under the terms of this Repurchase Agreement, the cash value of a Share will be (a) the Book Value of such Share as of the end of the Fiscal Year immediately preceding such sale or purchase, or (b) such other value or formula for determining value as may be specified from time to time after the date hereof in a resolution adopted by the Board of Directors of the Company for purposes of this Repurchase Agreement.

2. COMPLIANCE WITH AGREEMENT. Except as expressly set forth herein, the

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

3. INVESTMENT INTENT. The Shareholder hereby represents and warrants

to the Company that the Shareholder's acquisition of the Shares has been made for his or her own account for investment purposes only, and not with a view to distribution or resale of the Shares. The issuance of the Shares has not been registered under the Securities Act of 1933, as amended, or the securities laws of any state. The Shareholder may not sell the Shares unless the sale has been so registered or unless, in the opinion of counsel satisfactory to the Company, such registration is not required.

4. RESTRICTION ON CERTIFICATES. The Shareholder understands and

agrees that the certificate(s) issued to him or her representing the Shares:

(i) Shall contain the following legend:

"TRANSFER OF THE SHARES REPRESENTED BY THIS CERTIFICATE MAY REQUIRE REGISTRATION UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND THIS CERTIFICATE MAY NOT BE TRANSFERRED WITHOUT EVIDENCE OF SUCH REGISTRATION OR OF AN EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE ACT. THE RIGHT TO SELL, TRANSFER OR OTHERWISE DISPOSE OF OR PLEDGE THE SHARES REPRESENTED BY THIS CERTIFICATE IS PROHIBITED BY THE TERMS OF A

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REPURCHASE AGREEMENT. A COPY OF SUCH AGREEMENT IS ON FILE AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS."

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

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

"THE TRANSFER OF THESE SECURITIES IS PROHIBITED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED."

5. POSSESSION OF CERTIFICATES. The Company shall hold the certificates

evidencing the Shares as custodian to protect its interests hereunder. In furtherance thereof, the Shareholder shall execute and deliver to the Company an assignment in blank, in the form of Exhibit A to the Repurchase Agreement, for the transfer of such certificates. The Company will deliver to the Shareholder a receipt for such Shares in the form of Exhibit B to the Repurchase Agreement.

6. REPURCHASE OF SHARES BY COMPANY. Upon the termination of the

Shareholder's employment with the company (for any reason whatsoever, including voluntary and involuntary termination, retirement, death or disability), the Shareholder shall sell, and the Company shall purchase, the Shares at a price per share equal to the Value of a share of Common Stock, subject to any prohibitions on the purchase of Shares by the Company under applicable law or any agreement binding on the Company. The Company and the Shareholder agree that the Company shall purchase the Shares on a date specified by the Company, which shall not be later than ninety (90) days after termination of the Shareholder's employment with the Company. Notwithstanding the foregoing, if the Company is prohibited from purchasing the Shares by applicable law or by any contract or agreement binding on the Company, including without limitation any loan agreement, the Company will purchase the Shares as soon as practicable after it determines in good faith that it is legally and contractually permitted to do

so. If there is a Promissory Note outstanding at the time of the Company's purchase under this section, the Company will, and the Shareholder hereby authorizes the Company to, offset against any amounts owing to the Shareholder by the Company with respect to Shares purchased hereunder any amounts outstanding for principal or accrued interest under the outstanding Promissory Note. Any amount so offset shall be deducted from the purchase price to be paid under this section upon the purchase of the Shares by the Company. The balance of the purchase price for the Shares, if any, shall be paid by the Company, in its sole and absolute discretion, either in cash or by delivery of a non-transferable promissory note in the form of the Note; provided, however, that if termination of employment is due to the Shareholders' death, the balance of the purchase price shall be paid in cash. The Note shall bear simple interest at Bank of America's (or its successor's) reference rate as of the date hereof and may be for term of up to five years. The Note shall be paid in equal annual installments of principal plus all accrued and unpaid interest on the total principal amount. Subject to the preceding sentence, the actual term of the Note will be determined in the sole and absolute discretion of the Company. The indebtedness evidenced

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by the Note, both principal and interest, shall be subordinated and junior, to the extent set forth in the next sentence, to all Senior Debt; provided, that such Senior Debt shall not include any obligation of the Company under the Equity Plan to repurchase shares of Common Stock. Upon the maturity of any of the Senior Debt by lapse of time, acceleration or otherwise, all principal of, and interest on, all such matured Senior Debt shall first be paid in full before any payment is made by the Company on account of principal of, or interest on, the Note.

7. ASSIGNMENT OF PURCHASE RIGHTS. The Company may assign, in whole or -----
part, its right to purchase the Shares under this Repurchase Agreement to a designee(s).

8. CHANGE IN MARITAL STATUS. In the event that the Shareholder's -----
marital status is altered by dissolution or divorce or by the death of the Shareholder's spouse, any interest of his or her former spouse in the Shares, whether as community property or as a result of a property settlement agreement, a divorce decree or other legal proceeding, may be purchased by the Company and shall be sold by the Shareholder's former spouse or his or her estate according to the provisions of this Repurchase Agreement. The Shareholder agrees to notify the Company of any change in marital status, including, without limitation, marriage, dissolution of marriage, divorce or death of spouse, within ten (10) business days of said event. The Shareholder agrees to cause any spouse who has not signed a consent to this Repurchase Agreement in the form of Exhibit D to do so at the time notice is given to the Company under this Section 9.

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

10. REMEDIES. The parties agree that the Company will be irreparably -----
damaged in the event the agreements contained herein are not specifically enforced. If any dispute arises concerning the transfer of any Shares, an injunction may be issued restraining any such transfer pending the determination of such controversy. In the event of any controversy, such rights or obligations shall be enforceable in a court by a decree of specific performance. Such remedy shall, however, be cumulative and not exclusive, and shall be in addition to any other remedy which the Company may have.

11. EXPENSES. The Shareholder agrees to pay to the Company the amount -----
of any and all reasonable expenses, including, without limitation, reasonable attorneys' fees and expenses, which the Company may incur in connection with the enforcement of its rights hereunder.

12. NOTICES. Any notice required or permitted to be given hereunder -----
shall be in writing and shall be mailed first-class, postage prepaid, or shall be personally delivered, or shall be sent by telecopier. Any communication so

addressed and mailed shall be deemed to be given seven days after mailing and any communication delivered in person shall be deemed to be given when received for, or actually received by, an authorized officer of the recipient. All such communications, if intended for the Company, shall be addressed to the Company as follows:

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

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

13. GOVERNING LAW. All questions with respect to the construction of

this Repurchase Agreement and the rights and liabilities of the parties hereto shall be governed by the laws of California.

14. SUCCESSORS AND ASSIGNS. Subject to the terms herein, this Repurchase

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

15. ENTIRE AGREEMENT. This Repurchase Agreement contains the entire

Repurchase Agreement of the parties hereto and supersedes any prior written or oral agreements between them concerning the subject matter contained herein. There are no representations, agreements, arrangements or understandings, oral or written, between and among the parties hereto relating to the subject matter contained in this Repurchase Agreement which are not fully set forth herein.

16. COUNTERPARTS. This Repurchase Agreement may be executed in

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

17. WAIVER. No waiver of any right pursuant hereto or waiver of any

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

18. CAPTIONS. The captions of the various sections herein are solely

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

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19. SEVERABILITY. Should any portion of this Repurchase Agreement be

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

20. AGREEMENT AVAILABLE FOR INSPECTION. An original copy of this

Repurchase Agreement, together with all amendments, duly executed by the Company

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

21. REGULATION T, U OR X. The Company's possession of the certificates

evidencing the Shares pursuant to Section 5 of this Repurchase Agreement does not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System.

22. ADDITIONAL DOCUMENTS. The parties hereto agree to sign all the

other agreements necessary to effectuate this Repurchase Agreement.

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

SHAREHOLDER

By: _____
Name: ((NAME))

KORN/FERRY INTERNATIONAL

By: _____
Name: Elizabeth S.C.S. Murray
Title: Executive VP & CFO

Att. A-6

EXHIBIT A TO ATTACHMENT A

IRREVOCABLE STOCK ASSIGNMENT

For good and valuable consideration pursuant to the Repurchase Agreement, Attachment A to the Agreement, between the undersigned and Korn/Ferry International, the undersigned hereby sells, assigns and transfers to _____ shares of Common Stock of Korn/Ferry International, represented by Certificate No(s). _____ standing in the name of the undersigned on the books of said Company.

By: _____
Name: ((NAME))
Dated: June 30, 1998

WITNESS:

By: _____

Name: _____

Dated: June 30, 1998

Exh. A to Att. A

EXHIBIT B TO ATTACHMENT A

RECEIPT

[SAMPLE ONLY]

[to be issued by the Company to the Shareholder upon issuance of stock certificate]

Korn/Ferry International, a California corporation (the "Company"), hereby acknowledges that it has received and is holding as custodian on behalf of _____, an employee of the Company (the "Executive"), _____ shares of Common Stock of the Company (the "Shares"), represented by certificate number _____, _____ and _____ issued on _____, 1998 in the name of Executive (copies of which are attached hereto), together with an Irrevocable Stock Assignment executed by Executive

(the "Stock Assignment"). The Shares and the Stock Assignment are being held by the Company pursuant to and in accordance with the terms of that certain Repurchase Agreement between the Company and Executive.

KORN/FERRY INTERNATIONAL

By: _____
Name: _____
Title: _____

Dated: _____, 1998

Exh. B to Att. A

EXHIBIT C TO ATTACHMENT A

KORN/FERRY INTERNATIONAL
NON-TRANSFERABLE SUBORDINATED PROMISSORY NOTE

[SAMPLE ONLY]
[to be used by the Company upon repurchase]

\$ _____, 19__

FOR VALUE RECEIVED, the undersigned, KORN/FERRY INTERNATIONAL, a California corporation (the "Company") hereby promises to pay to the order of _____ ("Payee") the principal sum of _____ dollars (\$ _____), plus interest on the unpaid balance thereof at the rate of _____% per annum [reference rate of Bank of America or its successor on the date hereof].

Payments of principal and interest hereunder shall be in lawful money of the United States of America and shall be payable in _____ (____) annual payments, the first such payment to be made on _____, 19__, and the final such payment to be made on _____, _____. Interest shall be simple interest and shall be paid on the basis of a 360-day year and a 30-day month.

Principal and interest on this note are payable, at _____, or such other place as Payee shall designate in writing for such purpose at least five business days in advance of the applicable payment date. Principal and interest on this note may be prepaid at any time, in whole or in part, without premium or penalty. The timely tender of any payment of principal or interest on this note shall be deemed to have been made if a check for such payment is mailed two business days before the day such payment is due.

If any payment of principal or interest on this note shall be due on a Saturday, Sunday or legal holiday under the laws of the State of California, or any other day on which banking institutions in the City of Los Angeles are obligated or authorized by law or executive order to close, such payment shall be made on the next succeeding business day in California, and any such extended time shall not be included in computing interest in connection with such payment.

The indebtedness evidenced by this note, both principal and interest, is subordinated and junior to the extent set forth in Section 6 of that certain Repurchase Agreement dated as of _____ between the Company and Payee.

Payee shall not sell, assign or otherwise transfer or dispose of all or any part of this note to any person, partnership, corporation, firm or other entity, except with the prior written consent of the Company.

This note is made and delivered in California and shall be governed, construed and enforced according to the laws of the State of California.

KORN/FERRY INTERNATIONAL

By: _____
Name: _____

Title: _____

Exh. C to Att. A

EXHIBIT D TO ATTACHMENT A

CONSENT OF SPOUSE OF SHAREHOLDER

The undersigned, being the spouse of the Shareholder, ((NAME)), who has signed the foregoing Repurchase Agreement with the Company, dated June 30, 1998, hereby acknowledges that he or she has read and is familiar with the provisions of the Repurchase Agreement including but not limited to Sections 4 and 6 thereof and agrees to be bound thereby and join therein to the extent, if any, that his or her agreement and joinder may be necessary. The undersigned hereby agrees that the Shareholder may join in any future amendment or modifications of the Agreement without any further signature, acknowledgment, agreement or consent on his or her part; and the undersigned hereby further agrees that any interest which he or she may have in the shares of Common Stock of the Company held by the Shareholder shall be subject to the provisions of this Repurchase Agreement.

By: _____

Name: _____

Dated: June 30, 1998

Exh. D to Att. A

ATTACHMENT B

FORM OF ELECTION OF METHOD FOR PAYMENT OF WITHHOLDING FOR TAXES
(TO BE EXECUTED BY U.S. RESIDENTS ONLY)

The Unitholder hereby commits, by his/her election of method of payment indicated below, to the payment of that amount needed to be withheld for the payment of the required taxes by the Company. Such withholding is pursuant to the issuance of Common Stock shares under the Termination and Conversion Agreement (the "Agreement"), executed by the Unitholder concurrently herewith and as described therein. The value of the shares for the purpose of valuing that amount shall be \$11.15 per share. The Unitholder has indicated his/her election by signing his/her initials in the appropriate places below.

Initial

_____ I hereby elect to pay my required withholding by my check, which I am transmitting herewith, made payable to the Company in the amount of ((PHCHECK_PAYMENT)).

_____ I hereby elect to have the Company reduce the number of shares of Converted Common Stock to be delivered under the Agreement by ((PHSHARE_REDUCTION)) shares to satisfy any such withholding obligation.

_____ I hereby elect to pay the required withholding amount of ((PHCHECK_PAYMENT)) through a promissory note, the form of which is attached as Exhibit A to this Attachment B.

Execution by Unitholder

Signature: _____

Name: ((NAME))

Att. B

EXHIBIT A TO ATTACHMENT B

[FORM OF PROMISSORY NOTE APPEARS ON THE FOLLOWING PAGE]

Exh. A to Att. B

PROMISSORY NOTE

((PHCHECK_PAYMENT))

JUNE 30, 1998

FOR VALUE RECEIVED, the undersigned promissor (the "Promissor") hereby promises to pay to the order of KORN/FERRY INTERNATIONAL, a California corporation (the "Company") the principal sum of ((PHCHECK_PAYMENT)), plus interest on the unpaid balance thereof at the rate of 8.50% per annum.

Payments of principal and interest hereunder shall be in lawful money of the United States of America and shall be payable in the amount of the entire principal sum of ((PHCHECK_PAYMENT)), plus interest due and owing under that certain Termination and Conversion Agreement dated as of June 30, 1998. Interest payable shall be simple interest and shall be paid on the basis of a 360-day year and a 30-day month.

The Principal and interest to be paid on this note shall be on April 30, 1999. The Principal and Interest are payable at 1800 Century Park East, Suite 900, Los Angeles, California, 90067, or such other place as the Company shall designate in writing for such purpose at least five business days in advance of the applicable payment date. Principal and interest on this note may be prepaid at any time, in whole or in part, without premium or penalty.

If the date of payment of principal or interest on this note shall be due on a Saturday, Sunday or legal holiday under the laws of the State of California, or any other day on which banking institutions in the City of Los Angeles are obligated or authorized by law or executive order to close, such payment shall be made on the next succeeding business day in California, with such extended time shall not be included in computing interest in connection with such payment.

This note is made and delivered in California and shall be governed, construed and enforced according to the laws of the State of California.

PROMISSOR

By: _____

Name: ((NAME))

Exh. A to Att. B

EXHIBIT 21.1

Following is a list of all subsidiaries of the registrant, complete with the state or other jurisdiction of incorporation or organization of each:

SUBSIDIARY -----	JURISDICTION -----
1. Korn/Ferry International S.A.	Argentina
2. Korn/Ferry International Pty Limited	Australia
3. Korn/Ferry International Limited Niederlassung	Austria
4. Korn/Ferry International S/C Ltda.	Brazil
5. Korn/Ferry International, Limited	Canada
6. Korn/Ferry International, S.A.	Chile
7. Korn/Ferry International (China) Limited	China
8. Korn/Ferry International spol.s.r.o.	Czech Republic
9. Korn/Ferry International A/S	Denmark
10. Korn/Ferry International Oy	Finland
11. Didier, Vuchot et Associes	France
12. Korn/Ferry International & Cie, S.N.C.	France
13. Korn/Ferry International GmbH	Germany
14. Korn/Ferry International SA	Greece
15. Korn/Ferry International (Asia Pacific) Limited	Hong Kong
16. Korn/Ferry International (H.K.) Limited	Hong Kong
17. Korn/Ferry International Budapest Individual Consulting and Service Ltd.	Hungary
18. Korn/Ferry Consultants India Private Limited	India
19. Korn/Ferry International Holding India	India
20. Korn/Ferry Investment India Limited	India
21. PT. Korn/Ferry International	Indonesia
22. Korn/Ferry International S.R.L.	Italy
23. Korn/Ferry International-Japan	Japan
24. Korn/Ferry International (Korea) Limited	Korea
25. Korn/Ferry International (Malaysia) Sdn. Bhd.	Malaysia
26. Korn/Ferry Internacional del Norte, S.A. de C.V.	Mexico
27. Korn/Ferry International S.A. de C.V.	Mexico
28. Postgraduados y Especialistas, S.A. de C.V.	Mexico
29. Korn/Ferry International B.V.	Netherlands
30. Korn Ferry International NZ Limited	New Zealand
31. Korn/Ferry International AS	Norway
32. Korn/Ferry International-Peru S.A.	Peru
33. Korn/Ferry International S.p.z o.o.	Poland
34. Korn/Ferry International Srl.	Romania
35. Korn/Ferry International Pte. Ltd.	Singapore
36. Korn/Ferry International, spol.s.r.o.	Slovakia
37. Korn/Ferry Espana, S.A.	Spain
38. Korn/Ferry International AB	Sweden
39. bgu Beratungsgesellschaft fur Unternehmensentwicklung AG	Switzerland
40. DRF-Beteiligungs AG	Switzerland
41. DR-Miro AG	Switzerland
42. DRF-DR-Miro SA	Switzerland
43. Korn-Ferry (Switzerland) Ltd	Switzerland
44. Korn-Ferry International SA	Switzerland
45. Korn-Ferry S.A., Geneve	Switzerland
46. REMCO Research & Management Consulting Services S.A.	Switzerland
47. Korn/Ferry (Thailand) Limited	Thailand
48. Korn/Ferry International Executive Recruitment (Thailand) Limited	Thailand

49. Korn/Ferry International Musavirlik Limited Sirketi	Turkey
50. Carre Orban & Partners, Ltd.	United Kingdom
51. Korn/Ferry International, Limited	United Kingdom
52. Pintab Associates Limited	United Kingdom
53. Avery & Associates, Inc.	United States, California
54. Continental American Management Corp.	United States, California
55. Korn/Ferry S.A.	United States, California
56. Korn/Ferry International Futurestep, Inc.	United States, Delaware
57. Korn/Ferry International Worldwide, Inc.	United States, Delaware
58. Korn/Ferry International Consultores Asociados, C.A.	Venezuela
59. Korn/Ferry International de Venezuela, C.A.	Venezuela

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registration statement.

/s/ Arthur Andersen LLP

Los Angeles, California

October 14, 1998

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM KORN/FERRY INTERNATIONAL AND SUBSIDIARIES AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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