

KORN FERRY INTERNATIONAL

Form DEF 14A

August 29, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to (§) 240.14a-12

(Name of Registrant As Specified In Its Charter)

**KORN/FERRY INTERNATIONAL**

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- No Fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount previously paid:
- (2) Form Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

Notes:

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**1900 Avenue of the Stars, Suite 2600  
Los Angeles, California 90067**

August 29, 2008

Dear Stockholders:

It is my pleasure to invite you to attend the 2008 Annual Meeting of Stockholders (the Annual Meeting ) of Korn/Ferry International. The Annual Meeting will be held on September 23, 2008 at 10:00 a.m. Pacific time at the Intercontinental Hotel in Century City located at 2151 Avenue of the Stars, Los Angeles, California 90067.

At the Annual Meeting we will discuss the items of business discussed in the attached notice and give a report on our business operations.

We are delighted that you have chosen to invest in Korn/Ferry International and hope that, whether or not you attend the Annual Meeting, you will vote as soon as possible by completing, signing, dating and returning the enclosed proxy card in the envelope provided. *Your vote is important*, and voting by written proxy will ensure your representation at the Annual Meeting. You may revoke your proxy in accordance with the procedures described in the Proxy Statement at any time prior to the time it is voted. If you attend the Annual Meeting, you may vote in person even if you previously mailed your proxy card.

Sincerely,

Paul C. Reilly  
*Chairman of the Board*

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**1900 Avenue of the Stars, Suite 2600  
Los Angeles, California 90067**

**NOTICE OF 2008 ANNUAL MEETING  
To Be Held On September 23, 2008**

**Important Notice Regarding the Availability of Proxy Materials for the  
Stockholder Meeting to be Held on September 23, 2008**

**The Proxy Statement and accompanying Annual Report to Stockholders are available at [www.kornferry.com](http://www.kornferry.com)**

To the Stockholders:

On September 23, 2008, Korn/Ferry International (the Company, we, its and our) will hold its 2008 Annual Meeting of Stockholders (the Annual Meeting) at the Intercontinental Hotel in Century City located at 2151 Avenue of the Stars, Los Angeles, California 90067. The meeting will begin at 10:00 a.m. Pacific time.

Only stockholders who owned our common stock at the close of business on July 25, 2008 can vote at this meeting or any adjournments or postponements that may take place. The purposes of the Annual Meeting are to:

1. Elect three directors to serve on the Board of Directors (the Board) until the 2011 Annual Meeting of Stockholders;
2. Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's 2009 fiscal year;
3. Approve the Korn/Ferry International 2008 Stock Incentive Plan; and
4. Transact any other business properly presented at the Annual Meeting.

**The Board of Directors recommends that you vote FOR the approval of each of the three proposals outlined in the Proxy Statement accompanying this notice.**

A quorum comprised of the holders of a majority of the outstanding shares of our common stock on the record date must be present or represented for the transaction of business. Accordingly, it is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, please complete, date and sign the enclosed proxy card and return it in the envelope provided. You may revoke your proxy at any time prior to the time it is voted by (1) notifying the Corporate Secretary in writing; (2) returning a later-dated proxy card; or (3) attending the Annual Meeting and voting in person.

This Proxy Statement is first being mailed to our stockholders on or about August 29, 2008. Please read the proxy materials carefully. Your vote is important and we appreciate your cooperation in considering and acting on the matters presented.

By Order of the Board of Directors,

Peter L. Dunn  
*Corporate Secretary and  
General Counsel*

August 29, 2008

Los Angeles, California

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Stockholders Sharing an Address

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APPENDIX A Korn/Ferry International 2008 Stock Incentive Plan

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**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

**1. Q: Why am I receiving this Proxy Statement and the other enclosed materials?**

A: The Board is providing these materials to you in connection with, and soliciting proxies for use at, the Annual Meeting, which will take place on September 23, 2008. As a stockholder on the record date, you are invited to attend the Annual Meeting and you are requested to vote on each of the proposals described in this Proxy Statement. You do not need to attend the Annual Meeting to vote your shares.

**2. Q: What information is included in this mailing?**

A: The information included in this Proxy Statement relates to, among other things, the proposals to be voted on at the Annual Meeting, the voting process and the compensation of the Company's directors and executive officers.

**3. Q: What proposals will be voted on at the Annual Meeting?**

A: (1) The election of directors to serve on the Board until the 2011 Annual Meeting of Stockholders;  
(2) The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's 2009 fiscal year; and  
(3) The approval of the Korn/Ferry International 2008 Stock Incentive Plan.

**4. Q: How does the Board recommend I vote on each of the proposals?**

A: The Board recommends that you vote your shares **FOR** all of its nominees to the Board, **FOR** the ratification of the appointment of the independent registered public accounting firm for the Company's 2009 fiscal year, and **FOR** the approval of the Korn/Ferry International 2008 Stock Incentive Plan.

**5. Q: Who is entitled to vote at the Annual Meeting?**

A: Holders of the Company's common stock as of the record date, which is the close of business on July 25, 2008, are entitled to vote at the Annual Meeting.

**6. Q: How many votes are provided to each share of common stock?**

A: Each share of the common stock of the Company outstanding as of the record date is entitled to one vote. As of the record date on July 25, 2008, 46,989,792 shares of the common stock of the Company were issued and outstanding.

**7. Q: How do I vote?**

A: You can vote either by completing, signing and dating each proxy card you received and returning it in the envelope provided or by attending the Annual Meeting and voting in person. Once you have submitted your proxy, you have the right to revoke your proxy at any time before it is voted by:

- (1) notifying the Corporate Secretary in writing;
- (2) returning a later-dated proxy card; or
- (3) attending the Annual Meeting and voting in person.

**8. Q: Who will count the votes?**

A: Representatives of Mellon Investor Services will count the votes and act as the inspector of election at the Annual Meeting.

**9. Q: What does it mean if I receive more than one proxy card?**

A: It means that your shares are registered differently and are in more than one account. Sign and return all proxy cards to ensure that all your shares are voted.

**10. Q: What shares are covered by the enclosed proxy card(s)?**

A: The shares on the enclosed proxy card(s) represent all shares owned by you as of the record date. These shares include shares (1) held directly in your name as the stockholder of record and (2) held for you as the beneficial owner through a stockbroker, bank or other nominee. If you do not return your proxy card(s) with respect to these shares, your shares may not be voted. If you own shares that are held in our

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401(k) plan, you will receive a proxy card for those shares also. While the trustees of the 401(k) plan will vote those shares, you are requested to return that proxy card to advise the trustees of your wishes with respect to the matters to be voted on.

**11. Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner ?**

A: Those terms refer to the following. You are a:

Stockholder of record , if your shares are registered directly in your name with the Company's transfer agent, Mellon Investor Services. You are considered, with respect to those shares, to be the stockholder of record, and these proxy materials have been sent directly to you by the Company. As the stockholder of record, you have the right to grant your voting proxy to the Company or to vote in person at the Annual Meeting. We have enclosed a proxy card for you to use.

Beneficial owner , if your shares are held in a stock brokerage account, including an Individual Retirement Account, or by a bank or other nominee. If you are considered to be the beneficial owner of shares held in street name , these proxy materials are being forwarded to you by your broker or nominee, who is considered, with respect to those shares, to be the stockholder of record. As the beneficial owner, you have the right to direct your broker or nominee on how to vote (your broker or nominee has enclosed a voting instruction card for you to use) and you are invited to attend the Annual Meeting. However, because you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting.

**12. Q: What if a beneficial owner does not provide the stockholder of record with voting instructions for a particular proposal?**

A: If you are a beneficial owner and you do not provide the stockholder of record with voting instructions for a particular proposal, your shares may constitute broker non- votes, as described below, with respect to that proposal.

**13. Q: What are broker non- votes ?**

A: Broker non- votes are shares held by a broker or nominee with respect to which the broker or nominee does not have discretionary power to vote on a particular proposal or with respect to which instructions were never received from the beneficial owner. Shares which constitute broker non-votes with respect to a particular proposal will not be considered present and entitled to vote on that proposal at the Annual Meeting, even though the same shares will be considered present for quorum purposes and may be entitled to vote on other proposals.

**14. Q: How are votes counted?**

A: For Proposal No. 1, you may vote FOR all of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. For Proposal Nos. 2 and 3, you may vote FOR, AGAINST or ABSTAIN. If you sign your proxy card or broker voting instruction card without voting FOR, AGAINST or ABSTAIN for any of the proposals, your shares will be voted in accordance with the recommendations of the Board. With respect to Proposal Nos. 2 and 3, abstentions will be equivalent to AGAINST votes, while broker non-votes will be disregarded and will have no effect on the approval or rejection of Proposal Nos. 1-3.

**15. Q: What is the voting requirement to approve each proposal?**

A: In order to conduct business at the Annual Meeting, a quorum, as described below, must be established. In the election of directors, the Board's nominees will become directors so long as they receive a plurality of FOR votes; however, if any additional nominees for director are properly brought before the stockholders for consideration, only the nominees who receive the highest number of FOR votes will become directors. Approval of Proposal Nos. 2 and 3 will require affirmative FOR votes from a majority of those shares present (either in person or by proxy) and entitled to vote at the Annual Meeting.

**16. Q: What is a quorum ?**

A: A quorum is a majority in voting power of the outstanding shares of common stock entitled to vote. A quorum must be present or represented by proxy at the Annual Meeting for business to be conducted. Abstentions and broker non-votes will be counted as present for quorum purposes.

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**17. Q: What happens if additional matters (other than the proposals described in this Proxy Statement) are presented at the Annual Meeting?**

A: The Board is not aware of any additional matters to be presented for a vote at the Annual Meeting; however, if any additional matters are properly presented at the Annual Meeting, your signed proxy card gives authority to Paul C. Reilly and Gary D. Burnison to vote on those matters in their discretion.

**18. Q: How much did this proxy solicitation cost?**

A: We hired Mellon Investor Services to assist in the distribution of proxy materials and solicitation of votes for approximately \$23,000. The fees include out of pocket expenses. We also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to beneficial owners.

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

The Board is divided into three classes, with one class elected at each annual meeting of stockholders. Directors of each class are elected to serve for three year terms. At the Annual Meeting, we will elect three directors and the Board for the coming year will be composed of ten directors. The Board's nominees for election as directors will be elected to serve as Class 2011 Directors for a term of three years. The nominees for election at the Annual Meeting to serve as Class 2011 Directors are Gerhard Schulmeyer, Harry You and Debra Perry. Detailed information regarding each of these nominees is provided on pages 16-17 of this Proxy Statement. We do not expect any of the nominees to become unavailable to stand for election, but should this happen the Board will designate a substitute for each unavailable nominee. Proxies voting for any unavailable nominee will be cast for that nominee's substitute. Each of the nominees has consented to be named as a nominee in this Proxy Statement.

**Required Vote**

The Board's nominees will become directors so long as they receive a plurality of FOR votes. If, however, any additional nominees for director are properly brought before the stockholders for consideration, only the nominees who receive the highest number of FOR votes will become directors.

**Recommendation of the Board**

**The Board unanimously recommends that you vote FOR each of the nominees named above for election as a director. Proxies will be voted FOR each of the nominees named above unless you otherwise specify on your proxy card.**

**PROPOSAL NO. 2 RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has approved the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009. Ernst & Young LLP has served as the Company's independent registered public accounting firm since March 2002. Ernst & Young LLP has unrestricted access to the Audit Committee to discuss audit findings and other financial matters. Neither the Company's certificate of incorporation nor its bylaws requires that the stockholders ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. We are requesting ratification because we believe it is a matter of good corporate practice. If the

Company's stockholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain Ernst & Young LLP, but may, nonetheless, retain such independent registered public accounting firm. Even if the selection is ratified, the Audit Committee in their discretion may change the appointment at any time during the year if they determine that such change would be in the best interests of the Company and its stockholders. Representatives of Ernst & Young LLP will attend the Annual Meeting to answer appropriate questions and may also make a statement if they so desire.

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The following table sets forth fees for services Ernst & Young LLP provided during fiscal 2007 and 2008:

|                       | <b>2008</b>         | <b>2007</b>         |
|-----------------------|---------------------|---------------------|
| Audit fees(1)         | \$ 1,599,870        | \$ 1,588,000        |
| Audit-related fees(2) | 24,161              | 28,400              |
| Tax fees(3)           | 349,102             | 536,000             |
| All other fees        | 0                   | 0                   |
| <b>Total</b>          | <b>\$ 1,973,133</b> | <b>\$ 2,152,400</b> |

- (1) Represents fees for audit services, including fees associated with the annual audit, the reviews of the Company's quarterly financial statements, statutory audits required internationally, for attestation services related to compliance with Section 404 of the Sarbanes-Oxley Act and statutory audits required by governmental agencies for regulatory, legislative and financial reporting requirements.
- (2) Represents fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent registered public accounting firm that are not included in Audit Fees, fees for employee benefits plan audit, due diligence related to mergers and acquisitions, internal control reviews and consultation concerning financial accounting and reporting standards not classified as Audit Fees.
- (3) Represents fees for tax compliance, planning and advice. These services included tax return compliance.

**Audit Committee's Pre-Approval Policies and Procedures**

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to help assure that they do not impair the registered public accounting firm's independence from the Company. The Audit Committee may either approve the engagement of the independent registered public accounting firm to provide services or pre-approve services to be provided on a case by case basis. The Audit Committee believes the combination of these two approaches will result in an effective and efficient procedure to pre-approve services performed by the independent registered public accounting firm. The Audit Committee will also consider whether the independent registered public accounting firm is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Company's business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Company's ability to manage or control risk or improve audit quality. All such factors will be considered as a whole, and no one factor is determinative. The Audit Committee requires the rotation of its independent registered public accounting firm's audit partners as required by the Sarbanes-Oxley Act and the related rules of the Securities and Exchange Commission (SEC).

All requests or applications for Ernst & Young LLP services are submitted to the Internal Audit Director and include a detailed description of services to be rendered. The detailed descriptions are then reviewed against a list of approved services, re-confirmed with the Vice President of Finance and sent to the Audit Committee for final approval. All requests or applications for Ernst & Young LLP services receive approval from the Internal Audit Director and the Vice President of Finance, prior to the Audit Committee's review and approval.

**Required Vote**

Ratification of the approval of the independent registered public accounting firm will require affirmative **FOR** votes from a majority of those shares present, either in person or by proxy, and entitled to vote at the Annual Meeting.

**Recommendation of the Board**

**The Board unanimously recommends that you vote FOR the ratification of Ernst & Young LLP's appointment as the Company's independent registered public accounting firm for fiscal 2009. Proxies solicited by the Board will be so voted unless stockholders specify otherwise on their proxy cards.**



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**Proposal No. 3 APPROVAL OF THE KORN/FERRY INTERNATIONAL 2008 STOCK INCENTIVE PLAN**

In order to continue to provide qualified employees, officers, non-employee directors and other service providers with stock-based incentives, the Board approved, subject to stockholder approval, the Korn/Ferry International 2008 Stock Incentive Plan (the 2008 Plan ) on August 22, 2008, to make available 1,620,000 additional shares of the Company s common stock for stock-based awards (provided that the issuance of full value awards (awards other than options and stock appreciation rights) count approximately 1.8 times as much as options and stock appreciation rights against the authorized number of shares issuable under the 2008 Plan). The Board is submitting the 2008 Plan to the stockholders for their approval at the Annual Meeting.

As of July 25, 2008, an aggregate of 240,531 shares of common stock remained available under the Company s existing equity plan, the Performance Award Plan, for the grant of stock-based incentives. In addition, as of such date, awards covering 6,122,956 shares were outstanding under the Company s Performance Award Plan. However, the Performance Award Plan expired on August 8, 2008, and no awards may be granted under the existing incentive plan after this date.

The Company believes a compensation policy that includes a balanced mix of cash and equity is the most effective way to attract and retain talented employees whose interests are aligned with stockholders. After the expiration of the existing incentive plan on August 8, 2008, without approval of the 2008 Plan, the Company will not have the ability to use equity as a component of its compensation philosophy, a result that would put the Company at a considerable competitive disadvantage to its direct and indirect competitors for high level professional employees who make up the bulk of the Company s current and prospective employee base.

**Why You Should Vote For the 2008 Plan**

The Board unanimously recommends that the Company s stockholders approve the 2008 Plan. The Company s ability to grant an appropriate number of equity-based awards continues to be crucial in allowing the Company to effectively compete for key employee talent against other executive search, leadership and consulting firms. It is in the long-term interest of the Company and its stockholders to strengthen the ability to attract, motivate and retain employees, officers, directors, consultants, agents, advisors and independent contractors, and to provide additional incentive for those persons through stock ownership and other incentives to improve operations, increase profits and strengthen the mutuality of interest between those persons and the Company s stockholders.

The Company believes that its compensation philosophy, including the balanced use of equity-based rewards, has contributed to the Company s growth and profitability. Since fiscal 2004, the Company s fee revenues have improved from \$326 million to \$791 million in fiscal 2008, a compound average growth rate of 25%. Over the same period, its earnings per share have improved from \$0.35 in fiscal 2003 to \$1.46 in fiscal 2008, a compound average growth rate of 43%. During that period, the size of the Company s professional headcount has grown from 1,163 to 1,894. Equity awards are granted to a significant number of the Company s current and prospective employees. These long term incentives are aimed at aligning employees interests with stockholders and to aid in retention, since long term awards generally vest over a four year period.

The Company s restricted shares and stock options currently outstanding as of July 25, 2008 represent approximately 9.8% of the Company s market capitalization. If the 2008 Plan is approved, the plan participants interest would increase to approximately 11%. This compares favorably to the peer group of companies listed on page 21, whose stockholder value transfer ranges from 5% to 24%, with the Company s primary public competitor at the top of that

range.

For purposes of determining recommended stockholder value transfer metrics, the Company understands corporate governance companies use peer companies as defined by GIC codes established by Standard and Poors. Standard and Poors currently includes the Company in a broad GIC category called Commercial Service and Supplies. Many of the companies in this broad category are not, in management's opinion, comparable to the Company: the sector includes, for example, printing companies, waste management companies, and office service and supplies companies. It also includes companies with substantially larger market capitalization than the Company. These types of companies do not generally compete with the Company for employees, and they tend not to use equity as a significant component of their compensation philosophy. Standard and Poors is in the process of

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redefining subsets of the Commercial Services and Supplies GIC code which is expected to result in the creation of a subsidiary category of companies called Professional Services. This new categorization is expected to be put into effect in August 2008. The Company anticipates that it will be included in this subsidiary category in the future, and that the other companies to be included in this subsidiary category will more closely parallel the Company's past and prospective use of equity compensation. The Company also believes that when this category is established, the corporate governance companies' recommended amount of stockholder value transfer for companies in this subsidiary category may be greater than that recommended for the broad Commercial Services and Supplies sector.

In order to address potential stockholder concerns regarding the number of options, stock appreciation rights or other awards that the Company intends to grant in a given year, the Board commits to the Company's stockholders, subject to discretion for special circumstances (such as an acquisition, reorganization or group hires) that might lead the Company to determine that additional awards are in the best interests of the stockholders, that for fiscal years 2009, 2010 and 2011, the Company's average annual burn rate for the aforementioned three fiscal years will not exceed 4.0%. For this purpose, the burn rate for any fiscal year means the total number of shares of Company common stock issuable upon exercise or payment, as the case may be, of the equity-based awards granted by the Company under the 2008 Plan in that year, divided by the Company's total number of shares of common stock issued and outstanding as of the end of that particular fiscal year. For purposes of calculating the number of shares granted in a fiscal year, stock awards will count as equivalent to 2.0 option shares.

The Company is also committed to returning capital to stockholders. The Board has authorized the Company to repurchase up to \$175.0 million of the Company's outstanding shares of common stock pursuant to issuer repurchase programs. Over the last two and a half years, the Company has repurchased 6.5 million shares in the open market, an aggregate return of capital of \$131.5 million. The Company has approximately \$43 million remaining under the Board's approved stock repurchase plan. Although the timing of completing the approved repurchases and of subsequent additional plans for returning capital to stockholders depends on many factors, among which are the safety and soundness of the Company's balance sheet and availability of capital for strategically relevant acquisitions, the Board and management of the Company are committed to consistently returning excess capital to stockholders.

### ***Promotion of Good Corporate Governance Practices***

The Board believes the use of equity incentive awards promotes best practices in corporate governance by maximizing stockholder value. By providing participants in the 2008 Plan with a stake in the Company's success, the interests of the participants are aligned with those of the Company's stockholders. The 2008 Plan will provide incentives to plan participants to operate the Company in the most efficient way possible.

Specific features of the 2008 Plan that are consistent with good corporate governance practices include, but are not limited to:

options may not be granted with exercise prices lower than the fair market value of the underlying shares on the grant date;

there can be no repricing of options or stock appreciation rights without stockholder approval, either by canceling the award in exchange for another award, option or stock appreciation right with an exercise price that is less than the exercise price of the original award, or by reducing the exercise price of the option or stock appreciation right, other than in connection with a change in the Company's capitalization;

the ability to issue full-value awards (awards other than options and stock appreciation rights) is limited by requiring that these awards count approximately 1.8 times as much as options and stock appreciation rights against the authorized number of shares issuable under the 2008 Plan;

the administrator of the 2008 Plan has discretion to pay to holders of restricted stock and restricted stock units their awards in cash or shares of common stock, according to the current cash or capitalization needs of the Company; and

there can be no recycling of shares from exercised awards, meaning shares of common stock subject to an award cannot be made available for issuance if the shares were subject to a stock-settled stock appreciation

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right and were not issued in the net settlement, were used to pay the exercise price of an option, were delivered or withheld to pay the withholding taxes related to an award, or were repurchased on the open market with the proceeds of an option award.

### ***Need to Remain Competitive***

The Board believes the use of incentive equity awards is an integral component of compensation for the Company's employees. Employees consider equity awards an important part of their total compensation, and they expect these awards when they join the Company. Consequently, the Board believes the Company must continue to award its employees with equity awards to maintain its competitive position.

### ***Section 162(m) of the Code***

The Board continues to believe that it is in the best interests of the Company and its stockholders to provide for an incentive plan under which stock-based and qualifying cash compensation awards made to the Company's executive officers can qualify for deductibility by the Company for federal income tax purposes. Accordingly, the 2008 Plan has been structured in a manner such that awards under it can satisfy the requirements for performance-based compensation within the meaning of Section 162(m) of the Code (Section 162(m)). In general, under Section 162(m), in order for the Company to be able to deduct compensation in excess of \$1 million paid in any one year to the Company's Chief Executive Officer or any of the Company's three other most highly compensated executive officers (other than the Company's Chief Financial Officer), such compensation must qualify as performance-based. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by the Company's stockholders. For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based and (iii) the maximum amount of compensation that can be paid to an employee under the performance goal. With respect to the various types of awards under the 2008 Plan, each of these aspects is discussed below, and stockholder approval of the 2008 Plan will be deemed to constitute approval of each of these aspects of the 2008 Plan for purposes of the approval requirements of Section 162(m).

### ***Summary of the Plan***

The following is a description of the material features of the 2008 Plan. The description does not purport to be complete and is qualified in its entirety by reference to the full text of the 2008 Plan which is attached to this Proxy Statement as Appendix A and incorporated herein by reference. Stockholders are encouraged to read the text of the 2008 Plan in its entirety.

### ***Purpose***

The purpose of the 2008 Plan is to enable the Company and its subsidiaries to attract, retain and motivate their directors, officers, employees and service providers, and to further align the interests of such persons with those of the stockholders of the Company by providing for or increasing the proprietary interest of such persons in the Company.

### ***Eligible Participants***

Any person who is a current or prospective officer or employee of the Company or its subsidiaries, and any non-employee director of the Company or other service provider retained to provide consulting, advisory or other services to the Company or its subsidiaries, is eligible to be considered for the grant of awards under the 2008 Plan. As of July 25, 2008, approximately 830 employees and 9 non-employee directors were eligible to participate in the

2008 Plan.

***Available Shares***

The maximum number of shares of common stock of the Company that may be issued pursuant to awards granted under the 2008 Plan will be 1,620,000 (subject to adjustments to prevent dilution), plus any shares subject to

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outstanding awards under the Performance Award Plan as of July 25, 2008 that on or after such date cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable shares). No awards will be made under the Performance Award Plan after August 8, 2008. The aggregate number of shares issued under the 2008 Plan will equal only the number of shares actually issued upon exercise or settlement of an award and will not include shares subject to awards that have been canceled, expired or forfeited.

### ***Tax Code Limitations***

The aggregate number of shares subject to awards granted under the 2008 Plan during any calendar year to any one participant shall not exceed 500,000. The aggregate number of shares that may be issued pursuant to the exercise of incentive stock options granted under the 2008 Plan shall not exceed 1,620,000 (which is equal to the 1,620,000 shares being authorized), which number is subject to antidilution adjustment to the extent that such adjustment will not affect the status of any option intended to qualify as an Incentive Stock Option under Code Section 422. The maximum cash amount payable pursuant to that portion of an incentive bonus granted in any calendar year to any participant under the 2008 Plan that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall not exceed \$5,000,000.

### ***Administration***

The 2008 Plan is administered by the Compensation and Personnel Committee of the Board, provided, however, that the Board may exercise any power of the Compensation and Personnel Committee, except to the extent that the grant or exercise of any such authority by the Board would cause any award or transaction to become subject to Section 16 of the Securities Exchange Act of 1934 or cause an award designated as a performance award not to qualify for treatment as performance-based compensation under Section 162(m) of the Code. To the extent that any action taken by the Board conflicts with the action taken by the Compensation and Personnel Committee, the Board's action shall control. The Compensation and Personnel Committee may delegate any or all aspects of day-to-day administration of the 2008 Plan to one or more officers or employees of the Company or any subsidiary, and/or to one or more agents.

### ***Amendments***

The Board may amend, alter or discontinue the 2008 Plan or any agreement or other document evidencing an award made under the 2008 Plan, but, except as provided pursuant to the anti-dilution adjustment provisions of the 2008 Plan, no such amendment may be made without the approval of the stockholders of the Company if it would:

increase the maximum number of shares of common stock for which awards may be granted under the 2008 Plan;

reduce the price at which options or stock appreciation rights may be granted below the price provided for in the 2008 Plan;

reduce the exercise price of outstanding options;

extend the term of the 2008 Plan;

change the class of persons eligible to participate in the 2008 Plan;

increase the maximum awards that may be granted during any calendar year to any one eligible person; or

otherwise amend the 2008 Plan in any manner requiring stockholder approval by law or under the New York Stock Exchange listing requirements.

No amendment may impair the rights of any holder of an award without their consent, provided that no consent is required if the administrator determines in its sole discretion and prior to any change of control of the Company if the amendment is advisable in order for the Company, plan or award to satisfy any law or regulation, or meet the requirements of or avoid adverse financial accounting consequences under any accounting standard.



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### ***Awards***

The 2008 Plan authorizes the administrator to grant awards to eligible participants in the form of incentive and nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units, any of which may be performance-based, and for incentive bonuses, which may be paid in cash or stock or a combination thereof.

### ***Stock Options***

The administrator of the 2008 Plan may grant an option to purchase common stock of the Company, from time to time in the discretion of the administrator. Options may be incentive stock options that qualify under Code Section 422 ( Incentive Stock Options ) or nonstatutory stock options ( Nonqualified Stock Options ).

The exercise price per share of common stock subject to an option granted under the 2008 Plan must equal or exceed 100% of the fair market value of such common stock on the date the option is granted, except that:

the exercise price of an option may be higher or lower in the case of options granted to an employee of a company acquired by the Company in assumption and substitution of options held by such employee at the time such company is acquired; and

the exercise price of an incentive stock option granted to an individual owning more than 10% of the combined voting power of all classes of Company stock must equal or exceed 110% of the fair market value of such common stock on the date of grant.

In no event will the exercise price per share of common stock subject to an option that is intended to qualify as performance based compensation under Code Section 162(m) be less than 100% of the fair market value of such common stock on the date the option is granted. On July 25, 2008, the fair market value of a share of common stock of the Company was \$15.77.

Unless the administrator provides for a shorter period, the maximum term of an option granted under the 2008 Plan, including any Incentive Stock Options, will be 7 years from the date of its grant, except that Incentive Stock Options granted to an individual who, at the time the option is granted to such individual, owns more than 10% of the combined voting power of all classes of stock of the Company will have a term no greater than 5 years from the date of grant. Options granted under the 2008 Plan will vest according to a schedule determined by the administrator, provided however, that no option, other than non-employee director options, may first become exercisable within one year from the date of grant, other than upon the death or disability of a participant or a change of control of the Company.

The administrator will determine the acceptable forms of payment of the exercise price of an option, which may include: (1) cash, (2) shares of capital stock of the Company, (3) irrevocable commitment by a broker to pay over the amount from a sale of shares issuable under an option, (4) delivery of previously owned shares, (5) withholding of shares or (6) any combination of the above.

### ***Incentive Bonus***

An incentive bonus award is an award which confers upon the participant the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a specified performance period of not less than one year. The maximum amount payable pursuant to an incentive bonus award granted under the 2008 Plan for any fiscal year to any participant that is intended to satisfy the requirements for performance based compensation under Section 162(m) cannot exceed \$10,000,000.

***Restricted Stock and Restricted Stock Units***

Restricted stock is an award or issuance of shares of common stock of the Company under which the grant, issuance, retention, vesting and/or transferability is subject during specified periods of time to such conditions (including continued employment or performance conditions) and terms as the administrator deems appropriate. Restricted stock units are awards denominated in units of shares of common stock of the Company under which the issuance of shares is subject to such conditions (including continued employment or performance conditions) and terms as the administrator deems appropriate. An award with a vesting schedule that is not at least partially based on

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performance criteria cannot vest in less than thirty-six months, and an award with a vesting schedule that is at least partially performance-based cannot vest in less than twelve months from the date of grant, except for awards to non-employee directors and in the case of the death or disability of a participant or a change of control of the Company. The administrator will determine the extent to which awards of restricted stock and restricted stock units may be settled in cash, shares of common stock of the Company, or a combination of the above. Participants receiving restricted stock awards are entitled to the voting and dividend rights of the shares of common stock underlying the awards. Participants receiving restricted stock unit awards are not entitled to the voting rights of the underlying shares of common stock, and are entitled to the dividend rights only to the extent determined by the administrator.

***Stock Appreciation Rights***

A stock appreciation right is an award pursuant to which a participant may be entitled to receive the amount, if any, by which the fair market value of the common stock of the Company on the date of exercise exceeds a measurement value. The measurement value of a stock appreciation right must equal or exceed the fair market value of a share of common stock of the Company on the date of the grant. The grant, retention, vesting and/or transferability of the stock appreciation right is subject during specified periods of time to such conditions and terms as the administrator of the 2008 Plan deems appropriate. The vesting of an award will be over a period of not less than one year, except for stock appreciation rights awarded to non-employee directors and in the case of death or disability of a participant or a change of control of the Company. The stock appreciation right may be paid in cash or shares of common stock of the Company or a combination of the two, in the discretion of the administrator. Unless the administrator provides for a shorter period, the maximum term of a stock appreciation right granted under the 2008 Plan will be 7 years from the date of grant.

***Performance Criteria***

For purposes of the 2008 Plan, qualifying performance criteria means the following criteria, individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, subsidiary or one or more joint ventures, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the administrator in the award:

cash flow (before or after dividends);

earnings per share (including earnings before interest, taxes, depreciation and amortization);

stock price;

return on equity;

total stockholder return;

return on capital (including return on total capital or return on invested capital);

return on assets or net assets;

market capitalization;

economic value added;

debt leverage (debt to capital);

revenue;

income or net income;

operating income;

operating profit or net operating profit;

operating margin or profit margin;

return on operating revenue;

cash from operations;

operating ratio;

operating revenue;

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market share;

product development or release schedules;

new product innovation;

product cost reduction through advanced technology;

brand recognition/acceptance;

cost reductions;

customer service;

customer satisfaction; and

the sales of assets or subsidiaries.

Prior to the grant of an award, the administrator will determine whether or not it will appropriately adjust any evaluation of performance under the applicable performance criteria with respect to an award to exclude any of the following events that occur during a performance period:

asset write-downs;

litigation, claims, judgments or settlements;

the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results;

accruals for reorganization and restructuring programs;

accruals of any amounts for payment under the 2008 Plan or any other compensation arrangement maintained by the Company; and

any extraordinary non-recurring items as described in the applicable accounting literature and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year.

***Change of Control of the Company***

The administrator has the discretion to provide, either at the time an award is granted or thereafter, that a change of control of the Company will have such effect as specified by the administrator, or no effect.

***Deferral***

The administrator has the discretion to provide that payment of awards granted under the 2008 Plan may be deferred by the recipient to the extent permitted under Section 409A(a)(1)(B) of the Code.

***Termination***

The 2008 Plan will terminate on the tenth anniversary of its approval by the Company's stockholders, unless the Board of Directors terminates it sooner.

***Federal Income Tax Treatment***

The following is a brief description of the federal income tax treatment that will generally apply to awards made under the 2008 Plan, based on federal income tax laws currently in effect. The exact federal income tax treatment of awards will depend on the specific nature of any such award and the individual tax attributes of the award recipient. This summary is not intended to be a complete analysis and discussion of the federal income tax treatment of the 2008 Plan, and does not discuss gift or estate taxes or the income tax laws of any municipality, state or foreign country.

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***Incentive Stock Options***

Options granted under the 2008 Plan may qualify as Incentive Stock Options within the meaning of Code Section 422. If an optionee exercises an Incentive Stock Option in accordance with its terms and does not dispose of the shares acquired within two years from the date of the grant of the Incentive Stock Option or within one year from the date of exercise (the Required Holding Periods), an optionee generally will not recognize ordinary income and the Company will not be entitled to any deduction, on either the grant or the exercise of the Incentive Stock Option. An optionee's basis in the shares acquired upon exercise will be the amount paid upon exercise. Provided an optionee holds the shares as a capital asset at the time of sale or other disposition of the shares, an optionee's gain or loss, if any, recognized on the sale or other disposition will be capital gain or loss. The amount of an optionee's gain or loss will be the difference between the amount realized on the disposition of the shares and the optionee's basis in the shares. The gain or loss will be long-term capital gain or loss if the shares are held for at least one year after exercise of the option; otherwise, it will be short-term.

If, however, an optionee disposes of the acquired shares at any time prior to the expiration of the Required Holding Periods, then (subject to certain exceptions), the optionee will recognize ordinary income at the time of such disposition which will equal the excess, if any, of the lesser of (1) the amount realized on such disposition or (2) the fair market value of the shares on the date of exercise, over the optionee's basis in the shares. The Company generally will be entitled to a deduction in an amount equal to the amount of ordinary income recognized by an optionee. Any gain in excess of such ordinary income amount will be a short-term or long-term capital gain, depending on the optionee's holding period. If an optionee disposes of such shares for less than the optionee's basis in the shares, the difference between the amount realized and the optionee's basis will be short-term or long-term capital loss, depending upon the holding period of the shares.

***Nonqualified Stock Options***

In general, there are no tax consequences to the optionee or to the Company on the grant of a Nonqualified Stock Option. On exercise, however, the optionee generally will recognize ordinary income equal to the excess of the fair market value of the shares as of the exercise date over the purchase price paid for such shares, and the Company will be entitled to a deduction equal to the amount of ordinary income recognized by the optionee. Provided the shares received under a Nonqualified Stock Option are held as a capital asset, upon the subsequent disposition of the shares the optionee will recognize capital gain or loss in an amount equal to the difference between the proceeds received upon disposition and his or her basis for the shares. The basis will be equal to the sum of the price paid for the shares and the amount of income realized upon exercise of the option. Any capital gain or loss to the optionee will be characterized as long-term or short-term, depending upon the holding period of the shares.

***Stock Appreciation Rights***

Generally, the recipient of a Stand-Alone SAR will not recognize any taxable income at the time the Stand-Alone SAR is granted. If the employee receives the appreciation inherent in the SARs in cash, the cash will be taxable as ordinary compensation income to the employee at the time that it is received. If the employee receives the appreciation inherent in the Stand-Alone SARs in stock, the employee will recognize ordinary compensation income equal to the excess of the fair market value of the stock on the day it is received over any amounts paid by the employee for the stock.

With respect to Tandem SARs, if a holder elects to surrender the underlying option in exchange for cash or stock equal to the appreciation inherent in the underlying option, the tax consequences to the employee will be the same as discussed above relating to Stand-Alone SARs. If the employee elects to exercise the underlying option, the holder will be taxed at the time of exercise as if he or she had exercised a Nonqualified Stock Option (discussed above), i.e.,

the employee will recognize ordinary income for federal tax purposes measured by the excess of the then fair market value of the shares over the exercise price.

In general, there will be no federal income tax deduction allowed to the Company upon the grant or termination of Stand-Alone SARs or Tandem SARs. However, upon the exercise of either a Stand-Alone SAR or a Tandem SAR, the Company will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income



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that the employee is required to recognize as a result of the exercise, provided that the deduction is not otherwise disallowed under the Code.

### ***Restricted Stock and Restricted Stock Units***

Upon grant of restricted stock or restricted stock units, a participant generally will not have taxable income. Instead, he or she will recognize ordinary income in the first taxable year in which his or her interest in the shares underlying the award becomes either (i) freely transferable or (ii) no longer subject to substantial risk of forfeiture (e.g., vested). However, a holder of a restricted stock award may elect to recognize income at the time he or she receives the award in an amount equal to the fair market value of the shares underlying the award less any amount paid for the shares on the date the award is granted. The Company generally will be entitled to a deduction at the same time and in the same amount as a participant recognizes ordinary income.

### ***Incentive Bonus***

Receipt of a cash incentive bonus will cause the participant to recognize ordinary income with respect to such award at the earliest time at which the participant has an unrestricted right to receive the amount of the cash payment, and the Company will be entitled to a corresponding deduction.

### ***Golden Parachute Provisions***

The terms of awards granted under the 2008 Plan may provide for accelerated vesting or payment of an award in connection with a change of control of the Company. In that event and depending upon the individual circumstances of the recipient, certain amounts with respect to such awards may constitute excess parachute payments under the golden parachute provisions of the Code. Pursuant to these provisions, a participant will be subject to a 20% excise tax on any excess parachute payments and the Company will be denied any deduction with respect to such payment.

### ***Section 162(m)***

Section 162(m) imposes a \$1 million limit on the amount of compensation that may be deducted by the Company in any tax year with respect to the Company's named executive officers, other than the Company's Chief Financial Officer, including any compensation relating to an award granted under the 2008 Plan.

Compensation that is considered to be performance-based will not have to be taken into account for purposes of the \$1 million limitation, and accordingly, should be deductible by the Company without limitation under Section 162(m). Options and other awards granted under the 2008 Plan may, at the administrator's discretion, be intended to be performance-based compensation that qualifies for the exception from the \$1 million limit.

### ***Withholding Taxes***

The Company will generally be required to withhold applicable taxes with respect to any ordinary income recognized by a participant in connection with awards made under the 2008 Plan. Whether or not such withholding is required, the Company will make such information reports to the Internal Revenue Service as may be required with respect to any income (whether or not that of an employee) attributable to transactions involving awards.

### ***Other Information***

On July 25, 2008, (i) 3,526,199 shares were covered by stock options granted under the Company's existing stock incentive plans, at exercise prices ranging from \$6.16 to \$37.80 per share; (ii) 2,596,757 shares were subject to

unvested awards of restricted stock granted under the existing stock incentive plans, and (iii) 240,531 shares remained available to support additional awards under the existing stock incentive plans. Pursuant to its terms, no awards may be granted under the existing stock incentive plan after August 8, 2008.

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Information about stock option and performance share awards granted in fiscal 2008 to the Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers can be found in the table under the heading **Fiscal Year 2008 Grants of Plan-Based Awards** on page 26 of this Proxy Statement.

Participation in the 2008 Plan is in the discretion of the administrator. Accordingly, future participation by executive officers, other employees and directors under the 2008 Plan is not determinable. In addition, the benefits under the 2008 Plan that would have been received by or allocated to such persons for the last completed fiscal year had it been in effect cannot be determined.

The 2008 Plan is not exclusive and does not limit the authority of the Board or the administrator to adopt such other incentive arrangements as they may deem desirable.

**Required Vote**

Approval of the 2008 Plan will require affirmative **FOR** votes from a majority of those shares present, either in person or by proxy, and entitled to vote at the Annual Meeting.

**Recommendation of the Board**

**The Board unanimously recommends that you vote FOR the approval of the Company's 2008 Plan. Proxies solicited by the Board will be so voted unless stockholders specify otherwise on their proxy cards.**

**THE BOARD OF DIRECTORS**

The members of the Board are grouped into three classes: (1) Class 2009 Directors, who will serve until the Annual Meeting of Stockholders in 2009; (2) Class 2010 Directors, who will serve until the Annual Meeting of Stockholders in 2010; and (3) Class 2011 Directors, who will serve until the Annual Meeting of Stockholders in 2011.

**Class 2009 Directors**

The following table sets forth information regarding the Class 2009 Directors who will serve on the Board until the Annual Meeting of Stockholders in 2009.

| Name          | Age | Business Experience  | Director Since |
|---------------|-----|--|----------------|
| Patti S. Hart | 52  | Ms. Hart was the former Chairman and Chief Executive Officer of Pinnacle Systems, Inc. from March 2004 until August 2006. She was Chairman and Chief Executive Officer of Excite@Home, from April 2001 to March 2002. Excite@Home filed for bankruptcy under Chapter 11 of the federal Bankruptcy Code in September 2001. Prior to joining Excite@Home, Ms. Hart served as Chief Executive Officer and President of Telocity, Inc., from June 1999 until April 2001. From February 1994 to April 1999, she served as President and Chief Operating Officer of Sprint's Long Distance Division. Ms. Hart is also a director of Spansion, Inc., LIN-TV and | 2000           |

International Game Technology. Ms. Hart was appointed as  
Lead Independent Director of the Board in June 2006.

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| <b>Name</b>      | <b>Age</b> | <b>Business Experience</b>   | <b>Director Since</b> |
|------------------|------------|--|-----------------------|
| Paul C. Reilly   | 54         | Mr. Reilly is currently Executive Chairman of the Board since June 2001. Mr. Reilly served as our Chief Executive Officer from June 2001 until June 2007. Prior to joining the Company, Mr. Reilly was Chief Executive Officer of KPMG International from October 1998 until 2001. Prior to being named to that position, Mr. Reilly served as Vice Chairman Financial Services of KPMG L.L.P., the United States member firm of KPMG International. Mr. Reilly joined KPMG International as a partner in 1987. Mr. Reilly is a director and chair of the audit committee of Raymond James Financial, Inc. | 2001                  |
| Ihno Schneevoigt | 70         | Dr. Schneevoigt was a member of the management boards and Human Resources Director at Allianz Verisherungs AG and Allianz Lebensversicherung AG from January 1992 to December 2003. He serves as a director and member of the compensation committee of Celesio AG and director of Stroeer Out of Home Media AG. He is also an advisory board member of Bayreuth University, Bayerische Elite Academy and C.V. Linde Academy.  | 2004                  |
| Kenneth Whipple  | 73         | Mr. Whipple is the Chairman and was the Chief Executive Officer of CMS Energy Corporation from May 2002 through September 2004. He has been a director at CMS Energy Corporation since 1993. Mr. Whipple served as Executive Vice President of Ford Motor Company from 1988 to 1999. He served as Chairman and Chief Executive Officer of Ford Motor Credit Company from 1997 to 1999. He previously served as Chairman and Chief Executive Officer of Ford of Europe, Inc. from 1986 to 1988. He is also a director and chair of the nominating committee of the J.P. Morgan Chase mutual funds.          | 2004                  |

**Class 2010 Directors**

The following table sets forth certain information regarding the Class 2010 Directors, who will serve on the Board until the Annual Meeting of Stockholders in 2010.

| <b>Name</b>      | <b>Age</b> | <b>Business Experience</b>   | <b>Director Since</b> |
|------------------|------------|--|-----------------------|
| James E. Barlett | 64         | Mr. Barlett was Chairman, President and Chief Executive Officer of Galileo International until October 2001. From 1994 | 1999                  |

to 1997, Mr. Barlett was President and Chief Executive Officer of Galileo International. Mr. Barlett is also Vice Chairman of TeleTech Holdings, Inc. and a director of Celanese Corporation.

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| <b>Name</b>      | <b>Age</b> | <b>Business Experience</b>   | <b>Director Since</b> |
|------------------|------------|--|-----------------------|
| Gary D. Burnison | 47         | Mr. Burnison is currently Chief Executive Officer of the Company since July 2007. He was the Executive Vice President and Chief Financial Officer from March 2002 until June 30, 2007. He was appointed Chief Operating Officer from November 2003 until June 30, 2007. Prior to joining the Company, Mr. Burnison was principal and chief financial officer of Guidance Solutions, a privately held consulting firm from 1999 to 2001. Prior to that, he served as executive officer and member of the board of directors at Jefferies and Company, an investment bank and brokerage firm from 1995 to 1999. Earlier, Mr. Burnison was a partner at KPMG Peat Marwick.  | 2007                  |
| Edward D. Miller | 67         | Mr. Miller was the President and Chief Executive Officer of AXA Financial, Inc. from August 1997 through May 2001. He served as a member of the supervisory board and as a senior advisor to the Chief Executive of AXA Group from June 2001 through April 2003. He also served as Chairman and Chief Executive Officer of AXA Financial, Inc.'s principal subsidiary, AXA Client Solutions, and as a director of AXA Financial, Equitable Life, Alliance Capital and Donaldson, Lufkin & Jenrette. Mr. Miller is currently a director, chair of the compensation committee, and member of the governance and nominating committee of KeySpan Corporation. He is also a director and member of the compensation committee of American Express Company. | 2002                  |

**Nominees for Class 2011 Directors**

The following table sets forth certain information regarding the nominees for Class 2011 Directors, who, if elected at the 2008 Annual Meeting, will serve on the Board until the Annual Meeting of Stockholders in 2011.

| <b>Name</b>        | <b>Age</b> | <b>Business Experience</b>  | <b>Director Since</b> |
|--------------------|------------|---|-----------------------|
| Gerhard Schulmeyer | 69         | Mr. Schulmeyer served as President and Chief Executive Officer of Siemens Corporation from 1999 until 2001. From 1994 through 1998, Mr. Schulmeyer was President and Chief Executive Officer of Siemens Nixdorf, Munich/Paderborn. Mr. Schulmeyer is also a director at Ingram Micro Inc. | 1999                  |
| Harry L. You       | 49         |   | 2004                  |

Mr. You serves as Executive Vice President, Office of the Chairman of EMC since February 2008. Mr. You was the Chief Executive Office of BearingPoint, Inc. from March 2005 until November 2007. Mr. You was the Chief Financial Officer and Executive Vice President of Oracle Corporation from July 2004 through March 2005. From July 2001 through July 2004, Mr. You was the Chief Financial Officer of Accenture Ltd. Prior to that, he was a managing director with Morgan Stanley, a subsidiary of Morgan Stanley & Co., Inc., and Senior Vice President of the General Industrial Group at Lehman Brothers Inc.



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| <b>Name</b> | <b>Age</b> | <b>Business Experience</b>   | <b>Director Since</b> |
|-------------|------------|--|-----------------------|
| Debra Perry | 57         | Ms. Perry is a managing member of Perry Consulting LLC since 2008. She worked at Moody's Corporation from 1992 to 2004. From 2001 to 2004, Ms. Perry was a senior managing director in the Global Ratings and Research Unit of Moody's Investors Service, Inc. where she oversaw the Americas Corporate Finance, Leverage Finance and Public Finance departments. From 1999 to 2001, Ms. Perry served as chief administrative officer and chief credit officer, and from 1996 to 1999, she was a group managing director for the Finance, Securities and Insurance Rating Groups of Moody's Corporation. Ms. Perry is also a member of the board of directors and chair of the human resources and compensation committee of Conesco, Inc. | 2008                  |

**Retiring Directors**

The following table sets forth information regarding director(s) who are not standing for reelection at the Annual Meeting.

| <b>Name</b>      | <b>Age</b> | <b>Business Experience</b>   | <b>Director Since</b> |
|------------------|------------|--|-----------------------|
| Frank V. Cahouet | 76         | Mr. Cahouet retired as Chairman, President and Chief Executive Officer of Mellon Financial Corporation in January 1998, positions which he had held since 1987. Mr. Cahouet is a director, chair of the audit committee and member of the nominating and governance committee of Teledyne Technologies, Inc. He is also Chairman of the Board, member of the executive committee and member of the benefits review and compensation committee of Saint-Gobain Corporation. | 1999                  |

**Committees of the Board and Corporate Governance Matters**

The Board held eight meetings during fiscal 2008, and all of the directors attended at least 75% of the Board meetings and the meetings of committees of which they were members.

The Board has determined that the following directors (which includes all of those standing for reelection) are independent within the Company's independence standards and the independence standards of the NYSE: James Barlett, Edward Miller, Gerhard Schulmeyer, Harry You, Debra Perry, Patti Hart, Ihno Schneevoigt and Kenneth Whipple. For a director to be independent, the Board must determine that such director does not have any material relationship with the Company. To assist the Board in determining director independence, the Board reviews director independence in light of the categorical standards adopted by the NYSE. Under these standards, a director

will not be deemed independent if the Board affirmatively determines that the director has a material relationship with the Company, or if:

the director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company;

the director has received, or has an immediate family member who received, during any 12 month period within the last three years, more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(i) the director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor, (ii) the director is a current employee of such a firm, (iii) the director has an immediate

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family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such firm and personally worked on the Company's audit within that time;

the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serve or served on that company's compensation committee; or

the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three years, exceeds the greater of \$1 million or 2% of the other company's consolidated gross revenues.

The independent directors of the Board meet regularly in executive sessions outside the presence of management. On June 6, 2006, the Board appointed Patti Hart as the lead independent director (the Lead Director) to preside at executive sessions of the independent directors. Communications to the independent directors by stockholders and other interested parties may be sent to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067, Attention: Corporate Secretary.

Directors are expected to attend each annual meeting of stockholders. Last year all directors attended the 2007 Annual Meeting of Stockholders either in person or by telephone.

Although the full Board considers all major decisions, the Company's bylaws permit the Board to have the following standing committees to more fully address certain areas of importance: (1) an Audit Committee, (2) a Compensation and Personnel Committee and (3) a Nominating and Corporate Governance Committee. The members of the standing committees are set forth in the table below:

| <b>Name</b>        | <b>Audit</b> | <b>Compensation and Personnel</b> | <b>Nominating and Corporate Governance</b> |
|--------------------|--------------|-----------------------------------|--|
| James E. Barlett   | X*           |                                   | X  |
| Frank V. Cahouet   | X(Chair)     | X                                 |  |
| Patti S. Hart      |              |                                   | X(Chair)                                   |
| Edward D. Miller   |              | X                                 |  |
| Debra J. Perry     | X            |                                   |  |
| Gerhard Schulmeyer |              | X                                 | X  |
| Kenneth Whipple    | X            | X(Chair)                          |  |
| Ihno Schneevoigt   |              | X                                 |  |

\* On June 10, 2008, the Board appointed Mr. Barlett as Chair of the Audit Committee to be effective upon Mr. Cahouet's retirement at the Annual Meeting on September 23, 2008.

*Audit Committee.* Among other things, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm, reviews the independent registered public accounting firm's qualifications and independence, reviews the plans and results of the audit

engagement with the independent registered public accounting firm, approves professional services provided by the independent registered public accounting firm and approves financial reporting principles and policies, considers the range of audit and non-audit fees, reviews the adequacy of the Company's internal accounting controls and works to ensure the integrity of financial information supplied to stockholders. The Audit Committee is also available to receive reports, suggestions, questions and recommendations from the Company's independent registered public accounting firm, the Chief Financial Officer and the General Counsel. It also confers with these parties in order to help assure the sufficiency and effectiveness of the programs being followed by corporate officers in the area of compliance with legal and regulatory requirements, business conduct and conflicts of interest. The Audit Committee is composed entirely of outside directors whom the Board, in its business judgment, has determined are independent directors under the Company's independence standards (described above), the

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applicable listing standards of the NYSE and the applicable rules of the SEC. The Board has determined that Messrs. Barlett, Cahouet and Whipple qualify as audit committee financial experts as that term is defined in Item 407(a)(5) of Regulation S-K under the Securities Exchange Act of 1934 (the Exchange Act). The Audit Committee met six times in fiscal 2008. The Audit Committee operates pursuant to a written charter adopted by the Board, which is available on the Company's website at [www.kornferry.com](http://www.kornferry.com) in the Corporate Governance section of the Media/Investors webpage and in print to any stockholder that requests it. Any such request should be addressed to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, California 90067, Attention: Corporate Secretary.

Mr. Frank Cahouet serves on the audit committee of Teledyne Technologies, Inc., a public company. The Board has determined, however, that Mr. Cahouet's simultaneous service on such other audit committees does not impair his ability to serve effectively on the Company's Audit Committee.

*Compensation and Personnel Committee.* The Compensation and Personnel Committee is comprised entirely of directors who have never served as officers of the Company. Among other things, the Compensation and Personnel Committee (a) approves and oversees compensation programs of the Company, including incentive and stock option programs provided to members of the Company's senior management group, including all named executive officers, and (b) approves or recommends to the Board, as required, specific compensation actions, including salary adjustments, annual cash bonuses, stock option grants and employment contracts for the Chief Executive Officer and other members of the Company's senior management group. The Compensation and Personnel Committee met nine times during fiscal 2008. The Board, in its business judgment, has determined that all members of the Compensation and Personnel Committee are independent directors under the Company's independence standards (described above) and the applicable listing standards of the NYSE. The Compensation and Personnel Committee operates pursuant to a written charter adopted by the Board, which is available on the Company's website at [www.kornferry.com](http://www.kornferry.com) in the Corporate Governance section of the Media/Investors webpage and in print to any stockholder that requests it. Any such request should be addressed to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, California 90067, Attention: Corporate Secretary.

*Nominating and Corporate Governance Committee.* Among other things, the Nominating and Corporate Governance Committee recommends criteria to the Board for the selection of nominees to the Board, evaluates all proposed nominees, recommends nominees to the Board to fill vacancies on the Board, and, prior to each Annual Meeting of Stockholders, recommends to the Board a slate of nominees for election to the Board by the stockholders at the Annual Meeting. The Nominating and Corporate Governance Committee also seeks possible nominees for the Board and otherwise serves to aid in attracting qualified nominees to be elected to the Board. In evaluating nominations, the Nominating and Corporate Governance Committee considers a variety of criteria, including business experience and skills, independence, judgment, integrity, the ability to commit sufficient time and attention to Board activities and the absence of potential conflicts with the Company's interests. Stockholders may submit director nominees in accordance with the Company's bylaws and mail submissions to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067, Attention: Corporate Secretary. The Board, in its business judgment has determined that all members of the Nominating and Corporate Governance Committee are independent directors under the Company's independence standards (described above) and the applicable listing standards of the NYSE. The Nominating and Corporate Governance Committee met six times in fiscal 2008. The Nominating and Corporate Governance Committee operates pursuant to a written charter adopted by the Board, which is available on the Company's website at [www.kornferry.com](http://www.kornferry.com) in the Corporate Governance section of the Media/Investors webpage and in print to any stockholder that requests it. Any such request should be addressed to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, California 90067, Attention: Corporate Secretary.

*Code of Business Conduct and Ethics and Corporate Governance Guidelines.* The Board has adopted a Code of Conduct and Business Ethics that is applicable to all directors, employees and officers (including the Company's chief executive officer, chief financial officer and principal accounting officer). The Code of Conduct and Business Ethics

is available on the Company's website at [www.kornferry.com](http://www.kornferry.com) and in print to any stockholder that requests it. Any such request should be addressed to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, California 90067, Attention: Corporate Secretary. We intend to post amendments or waivers under the Code of Business Conduct and Ethics on the Company's website as well.

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We have adopted Corporate Governance Guidelines, which among other things, impose limits on the number of directorships each member of the Board may hold. The Chief Executive Officer of the Company may not sit on more than two boards of directors of public companies (other than the Company), while all other directors may not sit on more than six boards of directors of public companies (other than the Company). Additionally, when a director's principal occupation or business association changes substantially during his or her tenure as a director, that director is required to provide written notice of such change to the chair of the Nominating and Corporate Governance Committee, and shall agree to resign from the Board if the Board determines to accept such resignation. The Nominating and Corporate Governance Committee shall review and assess the circumstances surrounding such change, and shall recommend to the Board any appropriate action to be taken. The Corporate Governance Guidelines are available on the Company's website at [www.kornferry.com](http://www.kornferry.com) in the Corporate Governance section of the Media/Investors webpage and in print to any stockholder that requests it. Any such request should be addressed to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, California 90067, Attention: Corporate Secretary.

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Business and Competitive Environment**

The Company is a premier provider of human capital management solutions. It is a leading provider of executive search, leadership consulting services and middle management solutions. The Company helps its clients with their human capital needs by identifying, developing and deploying executives and building leadership teams across the globe. The Company's access to and influence with key decision makers provides a unique positioning among human capital management companies. The Company's unique global positioning allows it to maintain enhanced brand visibility and to attract and retain high-caliber consultants.

The Company provides its services to a broad range of clients through the expertise of more than 400 consultants located in 40 countries throughout the world. As such, executives in the Company need to have the skills and experience to manage and motivate an organization spread over a large number of countries with varying business and regulatory environments. The market for these talented individuals is competitive, and as such, the Company's compensation philosophy is focused on ensuring the right candidates can be attracted, retained and properly rewarded for their contributions.

### **Oversight of Compensation Programs**

The Compensation and Personnel Committee (the Committee) of the Board has been delegated authority by the Board for the oversight of compensation for the Company's senior management. The Committee has direct responsibility for determining the compensation of the named executive officers as defined below. The Committee also has an oversight responsibility for the compensation of senior management and the overall compensation programs of the Company, including its Performance Award Plan and the proposed 2008 Plan.

Throughout the Proxy Statement, the individuals who served as the Company's Chairman, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer during fiscal 2008, as well as the other individuals included in the Summary Compensation Table on page 25, are referred to as the named executive officers.

### **Executive Compensation Philosophy**

In establishing and assessing the compensation programs and compensation policies for the named executive officers, other senior officers and key employees, the Compensation and Personnel Committee is guided by the following principles:

The total compensation of the named executive officers, other senior officers and key employees of the Company must be competitive with those of other major executive recruiting firms (and to some extent a broader group of human capital companies and similarly sized publicly traded companies), recognizing the Company's size and complexity relative to the Company's peers;



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Individual cash bonuses and equity-based awards should be closely tied to the performance of the Company as a whole, as well as to the team and individual performance of the executive and the team the executive is a part of; and

The interests of senior management and the Company's stockholders should be closely aligned through direct management ownership of the common stock of the Company, and by providing a meaningful portion of each executive's total compensation in the form of equity-based incentives.

Because a number of the Company's peer organizations are privately-held, precise information regarding the senior executive compensation practices among the Company's competitor group is difficult to obtain. In addition, even when such data is available, meaningful differences in size, complexity and organizational structure among the Company's competitor group make direct comparisons of compensation practices problematic. In assessing the competitiveness of the Company's senior executive compensation, the Committee relies on information obtained from the proxies of publicly-traded competitors, information derived from data obtained from other public sources with respect to competitor organizations, and the Committee's general knowledge of the market for senior management positions. The Company's peer group for the purposes of this analysis consists of the following companies:

|                                  |                |                        |
|----------------------------------|----------------|------------------------|
| Heidrick & Struggles             | Kelly Services | Kforce                 |
| True Blue (formerly Labor Ready) | Manpower       | MPS Group              |
| Robert Half                      | Spherion       | Watson Wyatt & Company |
| Hudson Highland Group            |                |                        |

The Company does not set a relative percentile positioning for total direct compensation as a target for executive pay levels. Rather, the Company reviews total direct compensation and the mix of the compensation components relative to the peer group as one of the factors in determining if the compensation is adequate to attract and retain the executives with the unique set of skills necessary to manage and motivate a global human capital management firm with over 400 consultants operating in more than 89 offices in 35 countries.

The Committee retained Towers Perrin as compensation consultants to assess the competitiveness of the executive officers' compensation taking into consideration the factors noted above and any other factors they deem appropriate.

**Elements of Compensation**

The Company's executive compensation program consists of three main elements: (1) base salary, (2) annual incentives and (3) long term incentives. The Company also provides its executives with perquisites and other benefits such as health insurance and retirement benefits. The Company strives to align the mix and level of each compensation element in a manner that is consistent with attracting, retaining and rewarding the best talent available to achieve its strategic objectives.

**Base Salary**

Base salary is intended to compensate executives for services rendered during the fiscal year and is delivered in the form of fixed cash compensation paid on a semi-monthly basis. Base salary is reviewed on an annual basis by the Committee. To assess base salary levels annually, competitive data is compiled for the peer group listed above and, additional data is obtained from other sources with respect to non-public competitor organizations. The Committee also uses its general knowledge of the market for senior management positions in assessing base salary levels. The data gathered regarding the publicly traded companies is also reviewed by Towers Perrin, which provides the

Committee with their input. Further, the Committee takes into consideration the results of individual appraisals for the executive and, with respect to the Chief Executive Officer's direct reports, input from the Chief Executive Officer.

**Annual Incentives**

Annual incentives are intended to motivate and reward executives for achieving performance and strategic goals over a one-year period. The Company establishes an annual incentive plan each fiscal year. Annual incentives

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are typically not guaranteed and the level of annual incentive award varies from year-to-year depending upon the Company's and individual performance. Annual incentives are typically paid in cash, but the Committee has discretion to pay a portion of the annual incentive in equity or other long-term incentives. The performance goals typically include metrics such as revenue, operating income or earnings per share growth. The Company also typically selects various strategic objectives such as recruiting and retention, productivity of consultants, diversification of revenues, brand awareness and customer satisfaction against which executives are measured. The Committee then compares the achievement of the performance goals and strategic objectives against the target and maximum annual incentive awards as described in the Executive's employment contracts. The Committee compared the fiscal 2008 results against the goals, performance and strategic objectives, and determined annual incentive awards based on these criteria. Cash bonuses were awarded to the named executive officers as follows: Paul Reilly, \$912,500; Gary Burnison, \$1,150,000; Stephen Giusto, \$200,000; Gary Hourihan, \$400,000; Robert McNabb, \$550,000 and Ana Dutra, \$70,000.

The Company does not currently have a policy requiring a specific course of action with respect to compensation adjustments following later restatements of financial results. Under those circumstances, the Committee would evaluate whether adjustments are appropriate based upon the facts and circumstances surrounding the restatement and existing laws.

**Long-term Incentives**

Long-term incentives are intended to align the executives' interests with those of stockholders and encourage the achievement of the long-term goals of the Company. Long-term incentives are also designed to motivate and retain top talent. To accomplish these objectives the Committee has discretion to make grants of options, time-based restricted stock or performance award shares under its Performance Award Plan and time-based vesting contributions to the Company's non-qualified deferred compensation plan with time-based vesting.

Messrs. Burnison and Giusto received 38,350 and 11,360 shares of restricted stock, respectively, with performance related vesting. The performance shares have a three-year performance period after which the initial award of one-times base salary may increase to two-times base salary or decrease to the point where none of the shares may vest, depending upon the Company's total shareholder return (the TSR) over the three-year performance period relative to the peer group of companies listed above. Such shares are subject to full forfeiture and will only vest if the Company meets certain performance targets at the end of three years from the grant date. If the Company's TSR is less than zero, then the pay-outs may be modified to reduce the percentage of the target.

The table below outlines the vesting of the performance shares relative to the peer group.

| <b>Relative Ranking</b> | <b>Payout as % of Target</b> |
|-------------------------|------------------------------|
| 1 (maximum)             | 200%                         |
| 2                       | 180%                         |
| 3                       | 160%                         |
| 4                       | 140%                         |
| 5                       | 120%                         |
| <b>6 (target)</b>       | <b>100%</b>                  |
| 7                       | 75%                          |
| 8                       | 50%                          |
| 9 (threshold)           | 25%                          |
| 10                      | 0%                           |
| 11                      | 0%                           |

In addition, on July 10, 2008, time-based restricted stock grants were awarded to the named executive officers as follows: Gary Burnison, 38,350 shares; Stephen Giusto, 11,360 shares and Robert McNabb, 14,200 shares. The restricted stock awarded will vest in four equal annual installments beginning on July 10, 2009.

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### **Perquisites and Other Personal Benefits**

The Company provides executives the same benefits that are provided to all employees including medical, dental and vision benefits, group term life insurance and participation in the Company's 401(k) plan. In addition the executives receive benefits provided to all employees at the level of vice president and above including participation in the Company's nonqualified deferred compensation plan and reimbursement for medical expenses not reimbursed under the group medical plan, typically up to \$2,500 per annum.

### **Nonqualified Deferred Compensation Plan**

Pursuant to the Executive Capital Accumulation Plan ( ECAP ), the executives, along with all other U.S.-based vice presidents, may defer up to 90% of their salary and/or up to 100% of their annual incentive award into the ECAP. Participants in the ECAP complete irrevocable election forms that designate how their deemed account will be distributed (all elections are for a minimum of three years or at termination from service). Participants can also elect to receive their distributions in a lump sum or in installments (over five, ten or fifteen years). Participants also make elections on how they would like their deemed account invested from a set line up of 17 pre-determined mutual funds. At its discretion, the Company may make contributions to the ECAP on behalf of a participant. All Company matching and performance contributions to the ECAP are approved by the Committee including the amounts to the named executive officers disclosed under All Other Compensation in the Summary Compensation Table on page 25.

### **Stock Ownership Guidelines**

To further align the executives' interests with those of our stockholders in June 2007 the Board and the Nominating and Corporate Governance Committee adopted stock ownership guidelines for the Company. Under the stock ownership guidelines, the Chief Executive Officer is required to own two times his annual salary in common stock of the Company and the Chief Financial Officer is required to own one and a half times his annual salary in common stock of the Company, and all other named executive officers are required to own one time their annual salary in common stock of the Company. Non-employee directors are required to own one time their annual cash retainer received for service on the Board. Stock included for determining satisfaction of the guidelines includes direct stock ownership and does not include unvested restricted stock awards. The executive officers and directors have five years to meet the ownership requirements; however as of April 30, 2008, all the named executive officers met the ownership guidelines or are expected to meet the ownership guidelines within the specified time period.

### **Employment Agreements**

Each of the Company's named executive officers is covered by an employment agreement that provides for a minimum annual level of salary, cash bonus potential, and stock option and benefit eligibility. The agreements with Mr. McNabb, Mr. Burnison, Mr. Giusto and Mr. Reilly also provide for a defined severance benefit in the event of a termination of employment without cause or, in the case of each executive other than Mr. Reilly, for good reason as such terms are defined in the agreements. It is the Committee's belief that such agreements are necessary from a competitive perspective and also contribute to the stability of the management team. Please refer to the Potential Payments Upon Termination or Change of Control for further discussion of these employment agreements.

### **Internal Revenue Code Section 162(m)**

As one of the factors in the review of compensation matters, the Committee considers the anticipated tax treatment to the Company. The deductibility of some types of compensation for executive officers depends upon the timing of an

executive's vesting or exercise of previously granted rights or on whether such plans qualify as performance-based plans under the provisions of the tax laws. The Committee usually seeks to satisfy the requirements necessary to allow the compensation of its executive officers to be deductible under Section 162(m) of

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the Internal Revenue Code, as amended, but may also approve compensation that is not deductible under Section 162(m).

**Compensation Committee Interlocks and Insider Participation**

Directors Cahouet, Miller, Schneevoigt, Schulmeyer and Whipple comprise the Compensation and Personnel Committee. As of fiscal 2008, all members of the Compensation and Personnel Committee were independent, and none of them were employees or former employees of the Company. None of our executive officers served on the compensation committee, or board of directors, of another entity whose executive officer(s) served on our Committee.

**COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS**

**Compensation and Personnel Committee Reports on Executive Compensation**

The Compensation and Personnel Committee has reviewed and discussed the Compensation Discussion and Analysis (the CD&A) for the fiscal year ended April 30, 2008 with management. In reliance on the reviews and discussions with management relating to the CD&A, the Compensation and Personnel Committee has recommended to the Board, and the Board has approved, that the CD&A be included in the Proxy Statement for the fiscal year ended April 30, 2008 for filing with the SEC.

**Compensation and Personnel Committee**

Kenneth Whipple, Chair

Frank V. Cahouet

Edward D. Miller

Ihno Schneevoigt

Gerhard Schulmeyer

**Table of Contents****Fiscal Year 2008 and 2007 Summary Compensation Table**

The following table sets forth information with respect to the total compensation paid or earned by each of the named executive officers in fiscal 2008 and fiscal 2007.

| Name and Principal Position  | Fiscal Year | Salary (\$)   | Bonus** (\$) | Stock Awards (\$)(1) | Option Awards (\$)(1) | Change in Pension Value and Non-Equity Incentive |                            | All Other Compensation (\$) | Total Compensation |
|--|-------------|---------------|--------------|----------------------|-----------------------|--|----------------------------|-----------------------------|--------------------|
|  |             |               |              |                      |                       | Planned Compensation (\$)                        | Deferred Compensation (\$) |                             |                    |
| Reilly   | 2008        | 525,000       | 912,500      | 799,560              | 0                     |  |                            | 27,740(2)                   | 2,224,260          |
| Chairman of the Board  | 2007        | 650,000       | 1,600,000    | 3,665,547            | 601,091               |  |                            | 11,682                      | 6,518,220          |
| Burnison   | 2008        | 558,333(3)    | 1,150,000    | 991,180              | 81,906                |  |                            | 146,591(4)                  | 2,927,010          |
| Executive Officer  | 2007        | 475,000       | 800,000      | 475,633              | 107,423               |  |                            | 10,047                      | 1,858,003          |
| J. Giusto  | 2008        | 200,000(5)    | 200,000      | 51,992               | 0                     |  |                            | 10,816(6)                   | 452,808            |
| Financial Officer and<br>Senior Vice-President   |             |               |              |                      |                       |  |                            |                             |                    |
| Hourihan   | 2008        | 400,000       | 400,000      | 303,125              | 32,029                |  |                            | 215,362(7)                  | 1,350,516          |
| Chairman of Leadership<br>Development Solutions  | 2007        | 393,750       | 625,000      | 355,634              | 65,906                |  |                            | 10,402                      | 1,444,692          |
| H. McNabb  | 2008        | 450,000       | 550,000      | 253,669              | 58,255                |  |                            | 272,052(8)                  | 1,533,976          |
| Executive Officer of<br>Korn/Ferry International<br>Corp., Inc. and Executive<br>Vice-President of Korn/Ferry<br>International | 2007        | 450,000       | 500,000(9)   | 190,864              | 92,202                |  |                            | 18,582                      | 1,241,652          |
| Executive Officer of<br>Leadership Development<br>Solutions and Executive Vice<br>President                                    | 2008        | \$ 95,481(10) | 70,000(11)   | 70,486               | 0                     |  |                            | 1,148(12)                   | 176,915            |

\* Executive Capital Accumulation Plan ( ECAP ) contributions vest ratably over four years commencing on the first anniversary of each grant date.

\*\* Reflects bonuses earned in FY 08 and paid in FY 09

(1) Represents the dollar amount recognized for financial statement reporting purposes for the year ended April 30, 2008 in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004).



- (2) Represents an ECAP matching contribution of \$8,000, an auto allowance of \$7,200, 401(k) Company contribution of \$3,750, executive life insurance premiums and/or imputed income of \$335, executive medical benefits premium of \$5,000 and an Employee Stock Purchase Plan ( ESPP ) discount of \$3,455.
- (3) Represents an annual base salary of \$475,000 from May 1, 2007 to June 30, 2007 and in connection with Mr. Burnison s appointment as Chief Executive Officer, a base salary increase to \$575,000 from July 1, 2007 to June 30, 2008. On July 1, 2008, Mr. Burnison s annual base salary was increased to \$675,000.
- (4) Represents an ECAP performance contribution of \$125,000, an ECAP matching contribution of \$8,000, an auto allowance of \$5,400, 401(k) Company contribution of \$3,750, executive life insurance premiums and/or imputed income of \$177, executive medical benefits premium of \$2,500 and an ESPP discount of \$1,764.
- (5) Represents a pro-rated annual base salary of \$400,000 for the period from November 1, 2007 until April 30, 2008.
- (6) Represents an ECAP matching contribution of \$8,000, an auto allowance of \$2,700 and executive life insurance premiums and/or imputed income of \$116.
- (7) Represents an ECAP performance contribution of \$200,000, an auto allowance of \$7,200, 401(k) Company contribution of \$3,750, executive life insurance premiums and/or imputed income of \$662, executive medical benefits premium of \$2,500 and an ESPP discount of \$1,250.

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- (8) Represents an ECAP performance contribution of \$250,000, an ECAP matching contribution of \$8,000, an auto allowance of \$7,200, 401(k) Company contribution of \$3,750, executive life insurance premiums and/or imputed income of \$602 and executive medical benefits premium of \$2,500.
- (9) Represents an adjustment of \$50,000 made in fiscal year 2008 from the \$450,000 cash bonus previously reported in the 2007 proxy statement.
- (10) Represents a pro-rated annual base salary of \$450,000 for the period from February 15, 2008 until April 30, 2008.
- (11) Represents a cash stipend of \$70,000 secured by a promissory note to be forgiven on the third anniversary of Ms. Dutra's hire date.
- (12) Represents an auto allowance of \$1,148.

**Fiscal Year 2008 Grants of Plan-Based Awards**

The following table sets forth information with respect to options to purchase shares of the Company's common stock granted in fiscal 2008 to the named executive officers.

| Name             | Grant Date | Estimated Future Payments Under Non-Equity Incentive Plan Awards |        |         | Estimated Future Payments Under Equity Incentive Plan Awards |        |         | All Other Awards          |  | Grant Date | Fair Value of Stock and Option Awards |
|------------------|------------|--|--------|---------|--|--------|---------|---------------------------|--|------------|---------------------------------------|
|                  |            | Threshold  | Target | Maximum | Threshold  | Target | Maximum | Number of Shares of Stock | Exercise Price of Securities Underlying Awards (\$/Sh) |            |                                       |
| Paul C. Reilly   | 06/29/2007 |  |        |         |  |        |         | 49,505                    | 26.26  |            | 1,300,001                             |
|                  | 06/29/2007 |  |        |         |  |        |         | 9,420                     | 26.26  |            | 247,369                               |
|                  | 07/02/2007 |  |        |         |  |        |         | 25,000                    | 26.65  |            | 666,250                               |
| Gary D. Burnison | 07/09/2007 |  |        |         |  |        |         | 21,920                    | 26.23  |            | 574,962                               |
|                  | 07/09/2007 |  |        |         | 0  | 21,920 | 43,840  |                           |  |            |                                       |
|                  | 07/09/2007 |  |        |         |  |        |         | 34,310                    | 26.23  |            | 899,951                               |
| Stephen Giusto   | 11/01/2007 |  |        |         |  |        |         | 17,000                    | 18.35  |            | 311,950                               |
| Gary C. Hourihan | 07/09/2007 |  |        |         |  |        |         | 7,620                     | 26.23  |            | 199,873                               |
| Robert H. McNabb | 07/09/2007 |  |        |         |  |        |         | 17,160                    | 26.23  |            | 450,107                               |
| Ana Dutra        | 03/03/2008 |  |        |         |  |        |         | 44,590                    | 16.82  |            | 750,004                               |
|                  | 03/03/2008 |  |        |         |  |        |         | 44,590                    | 16.82  |            | 750,004                               |

**Employment Agreements**

*Paul C. Reilly, Chairman since June 29, 2001 and Chief Executive Officer from June 29, 2001 until June 30, 2007.* In connection with the appointment of Paul Reilly as Chairman and Chief Executive Officer on June 29, 2001, we entered into an employment agreement (the *Reilly Employment Agreement* ) with Mr. Reilly.

On April 25, 2007, we announced that effective July 1, 2007, we would be separating the positions of Chairman and Chief Executive Officer and in connection therewith we would not be renewing the *Reilly Employment Agreement* at the end of the initial term. Pursuant to a transition employment agreement dated as of April 24, 2007 (the *Transition Agreement* ), we would continue to employ Mr. Reilly as Chairman and Chief Executive Officer until June 30, 2007 and thereafter (1) Mr. Burnison would assume the position of Chief Executive Officer and (2) Mr. Reilly would be retained as Executive Chairman under the terms and conditions of a new employment agreement dated as of April 24, 2007, which subsequently expired and was supplanted by another new employment agreement dated April 29, 2008 (the *New Reilly Employment Agreement* ).

Under the *New Reilly Agreement* that became operative on July 1, 2008, we agreed to retain Mr. Reilly as Executive Chairman. In consideration for Mr. Reilly's services as Executive Chairman, we agreed to provide Mr. Reilly with an annual base salary of \$500,000 and a target cash bonus of \$750,000. In addition to the target bonus described in the foregoing sentence, Mr. Reilly may be considered for an additional bonus amount based upon critical special assignments.

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*Gary D. Burnison, Chief Executive Officer since July 1, 2007, Chief Operating Officer from October 1, 2003 until June 30, 2007, Chief Financial Officer and Executive Vice-President from March 20, 2002 until June 30, 2007.*

We entered into an employment agreement with Mr. Burnison (the Burnison Employment Agreement ) whereby, we appointed and agreed to employ Mr. Burnison as Chief Executive Officer, effective July 1, 2007. Pursuant to the Burnison Employment Agreement, we will provide Mr. Burnison with the following annual compensation: (1) an annual base salary of \$575,000; (2) participation in the Company s annual cash incentive plan, with an annual target award of 100% of annual base salary, and the ability to earn additional amounts up to a maximum cash award of 200% of annual base salary; and (3) subject to approval of the Board, participation in the Company s equity incentive program, pursuant to which Mr. Burnison is initially eligible to receive (a) a grant of restricted stock, subject to the discretion of and approval by the Board and/or Compensation Committee with a target grant value of \$900,000 (vests 25% each year); (b) an award of performance shares with a target grant value of 100% of annual base salary (cliff vests after 3 years subject to the Company s performance over the performance period) and (c) an annual grant of restricted stock with a target grant value of 100% of annual base salary (vests 25% each year). The Board approved Mr. Burnison s annual base salary increase to \$675,000, effective July 1, 2008.

*Stephen J. Giusto, Chief Financial Officer and Executive Vice President since November 1, 2007.*

We entered into an employment agreement with Stephen Giusto on October 10, 2007 (the Giusto Employment Agreement ). The Giusto Employment Agreement provides for (1) an annual base salary of \$400,000; (2) participation in the Company s annual cash incentive plan, with an annual target award of 100% of annual base salary, and the ability to earn additional amounts up to an additional maximum cash award of 200% of annual base salary; (3) participation in the Company s long-term, equity incentive program, pursuant to which Mr. Giusto is initially eligible to receive (a) a one-time grant of 17,000 shares of restricted stock that will vest in three equal annual installments with the first vesting occurring on November 1, 2008, (b) an equity award of restricted shares with a value of 100% of base salary (vests 25% each year) and (c) an equity award of performance shares with a value equal to 100% of base salary (cliff vests after 3 years subject to the Company s performance over the performance period).

*Gary C. Hourihan, Chairman of Leadership Development Solutions since May 1, 2008, Executive Vice-President and President of Global Leadership Development from March 2000 until April 30, 2008.* On April 30, 2008, Mr. Hourihan s term of employment as the Executive Vice President and President of Leadership Development Solutions of the Company automatically expired pursuant to the terms of the letter agreement, dated December 14, 2006, between Mr. Hourihan and the Company. Mr. Hourihan currently does not have a written agreement with the Company.

*Robert H. McNabb, Chief Executive Officer of Korn/Ferry International Futurestep, Inc. since July 2002 and Executive Vice-President of Korn/Ferry International.* We entered into an employment agreement (the McNabb Employment Agreement ) with Robert McNabb as Chief Executive Officer of Korn/Ferry International Futurestep, Inc. on October 1, 2003. The original term of the agreement was from October 1, 2003 until October 1, 2006. On September 29, 2006, we entered into a letter agreement (the McNabb Letter Agreement ) with Mr. McNabb to extend Mr. McNabb s employment until September 30, 2009, at which time the Company has the option to renew for an additional 3-year term through September 30, 2012 by providing Mr. McNabb with 90 days prior written notice of renewal. The McNabb Letter Agreement provides that Mr. McNabb is to receive the same salary and incentives as provided for in the McNabb Employment Agreement. Pursuant to the McNabb Employment Agreement, Mr. McNabb is to receive (1) an annual base salary of \$450,000, (2) an annual target bonus of 100% of base salary and an annual maximum bonus of 200% of base salary, (3) subject to the discretion and approval of the Board, an annual grant of stock options with a target value of 50% of base salary and a maximum grant value of 100% of base salary and (4) subject to the discretion and approval of the Board, an annual grant of restricted stock.

*Ana Dutra, Chief Executive Officer of Leadership Development Solutions and Executive Vice President since February 15, 2008.* We entered into a letter agreement (the Dutra Letter Agreement ) with Ana Dutra on January 16, 2008. The Dutra Letter Agreement provides for (1) an annual base salary of \$450,000, (2) an annual target incentive award (cash and long-term equity) with a value of \$650,000, (3) for fiscal 2008, a \$70,000 cash stipend secured by a promissory note to be forgiven on the third anniversary of Ms. Dutra s hire date, (4) for fiscal

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2009, a minimum guaranteed cash bonus award of \$350,000, (5) a recommendation to the Committee to award Ms. Dutra \$750,000 shares of restricted stock (vests 25% per year) and (6) an additional equity award of \$750,000 shares of restricted stock (cliff vests after 3 years) to replace equity from her prior employer. On March 3, 2008, the Committee awarded to Ms. Dutra 44,590 shares of restricted stock that vest in four equal annual installments beginning on March 3, 2009 and an additional 44,590 shares of restricted stock that cliff vest on March 3, 2011.

**Fiscal Year 2008 Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information with respect to options to purchase shares of the Company's common stock and restricted stock granted to the named executive officers at fiscal year ended April 30, 2008.

| Name             | Option Awards   |   |  |                            |                        | Stock Awards                                       |   |   | Equity Incentive Plan Awards: Market or Payout Value of Unearned |
|------------------|---|---|--|----------------------------|------------------------|--|---|---|--|
|                  | Number of Securities Underlying Unexercised Options Exercisable (#) | Number of Securities Underlying Unexercised Options Unexercisable (#) | Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares of Stock that Have Not Vested (#) | Market Value of Shares of Stock that Have Not Vested (\$) | Shares or Other Rights that Have Not Vested (#) | Shares of Other Rights that Have Not Vested (\$)                 |
| Paul C. Reilly   | 48,570  | 0   |  | 19.37                      | 06/30/2014             |  |   |   |  |
|                  | 35,867  | 17,933(1)   |  | 17.97                      | 07/07/2015             |  |   |   |  |
|                  | 140,000   | 0   |  | 15.50                      | 06/29/2011             |  |   |   |  |
|                  | 250,000   | 0   |  | 8.10                       | 06/30/2013             |  |   |   |  |
| Mary D. Burnison |   |   |  |                            |                        | 25,000(2)  | 466,500   |   |  |
|                  | 3,827   | 0   |  | 19.37                      | 06/30/2014             |  |   |   |  |
|                  | 8,967   | 8,966(1)  |  | 17.97                      | 07/07/2015             |  |   |   |  |
|                  |   |   |  |                            |                        | 5,557(3)   | 103,694   |   |  |
|                  |   |   |  |                            |                        | 21,920(4)  | 409,027   |   |  |
|                  |   |   |  |                            |                        | 34,310(4)  | 640,225   |   |  |
| Stephen Giusto   |   |   |  |                            |                        | 57,765(6)  | 1,077,895   | 21,920(5)                                       | 409,027  |
|                  |   |   |  |                            |                        | 17,000(7)  | 317,220   |   |  |
|                  |   |   |  |                            |                        |  |   |   |  |
| Mary C. Hourihan | 3,237   | 0   |  | 19.37                      | 06/30/2014             |  |   |   |  |
|                  | 2,990   | 2,990(1)  |  | 17.97                      | 07/07/2015             |  |   |   |  |
| Robert H. McNabb |   |   |  |                            |                        | 2,777(3)   | 51,189  |   |  |
|                  |   |   |  |                            |                        | 7,620(4)   | 142,189   |   |  |
|                  | 5,977   | 5,976(1)  |  | 17.97                      | 07/07/2015             |  |   |   |  |
|                  |   |   |  |                            |                        | 3,703(3)   | 69,098  |   |  |
|                  |   |   |  |                            | 13,710(6)              | 255,829  |   |   |  |

na Dutra

|           |         |
|-----------|---------|
| 17,160(4) | 320,206 |
| 44,590(8) | 832,049 |
| 44,590(9) | 832,049 |

- (1) These options were granted 10 years prior to the expiration date and vest in three equal installments over three years.
- (2) This time-based restricted stock grant was made on July 1, 2007 and fully vested on July 1, 2008.
- (3) This time-based restricted stock grant was made on July 7, 2005 and vests in three equal installments over three years.
- (4) This time-based restricted stock grant was made on July 9, 2007 and vests in four equal installments over four years.
- (5) This performance-based restricted stock grant was made on July 9, 2007. The performance shares have a three-year performance period after which the initial award of one-times base salary may increase to two-times base

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salary or decrease to the point where none of the shares may vest, depending upon the Company's total shareholder return over the three-year performance period relative to a peer group of companies.

- (6) This time-based restricted stock grant was made on June 27, 2006 and vests in four equal installments over four years.
- (7) This time-based restricted stock grant was made on November 1, 2007 and vests in three equal installments over three years.
- (8) This time-based restricted stock grant was made on March 3, 2008 and vests in four equal installments over four years.
- (9) This time-based restricted stock grant was made on March 3, 2008 and fully vests on March 3, 2011.

**Option Exercises and Stock Vested in Fiscal Year 2008**

The option exercises and vested stock of the named executive officers at fiscal year ended April 30, 2008 are set forth in the table below:

| Name                               | Option Awards                             |                                    | Stock Awards                             |                                |
|------------------------------------|---|------------------------------------|--|--------------------------------|
|                                    | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$)(1) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Paul C. Reilly                     | 200,000                                   | 3,854,000                          |  |                                |
|                                    | 160,000                                   | 1,784,000                          |  |                                |
|                                    |   |                                    | 88,770                                   | 2,365,721                      |
|                                    |   |                                    | 49,505                                   | 1,300,001                      |
|                                    |   |                                    | 9,420                                    | 247,369                        |
| Gary D. Burnison                   |   |                                    | 10,326                                   | 275,085                        |
|                                    |   |                                    | 22,220                                   | 591,941                        |
|                                    |   |                                    | 19,255                                   | 514,109                        |
|                                    |   |                                    | 3,536                                    | 94,199                         |
|                                    |   |                                    | 5,556                                    | 145,678                        |
| Stephen Giusto<br>Gary C. Hourihan | 32,475                                    | 131,930                            |  |                                |
|                                    | 6,473                                     | 46,152                             |  |                                |
|                                    | 2,990                                     | 25,505                             |  |                                |
|                                    |   |                                    | 440                                      | 8,210                          |
|                                    |   |                                    | 2,653                                    | 70,676                         |
| Robert H. McNabb                   |   |                                    | 2,776                                    | 72,787                         |
|                                    |   |                                    | 9,560                                    | 178,390                        |
|                                    | 6,473                                     | 45,268                             |  |                                |
|                                    | 3,237                                     | 22,531                             |  |                                |
|                                    | 5,977                                     | 50,167                             |  |                                |



|           |       |         |
|-----------|-------|---------|
|           | 4,570 | 122,019 |
|           | 2,653 | 70,676  |
| Ana Dutra | 3,703 | 97,093  |

- (1) Represents the difference between the aggregate exercise price of the option and the fair market value of the Company's common stock purchased on exercise.

**Table of Contents****Fiscal Year 2008 Pension Benefits**

The pension benefits of the named executive officers as of fiscal year ended April 30, 2008 are set forth in the table below:

| Name             | Plan Name   | Number of<br>Years<br>Credited<br>Service | Present Value<br>of<br>Accumulated<br>Benefit<br>(\$) | Payments<br>During<br>Last<br>Fiscal<br>Year<br>(\$) |
|------------------|---|---|---|--|
|                  |   | or Number of<br>Unites Earned<br>(#)      |   |  |
| Paul C. Reilly   | Worldwide Executive<br>Benefit Retirement Plan<br>( WEBRP ) | 0   | 0   | 0  |
|                  | Executive Wealth<br>Accumulation Plan<br>( EWAP )           | 5   | 80,717  | 0  |
| Gary D. Burnison | WEBRP   | 0   | 0   | 0  |
|                  | EWAP  | 4   | 44,589  | 0  |
| Stephen Giusto   | WEBRP   | 2   | 1,166(1)  | 0  |
|                  |   | EWAP                                      | 0   | 0  |
| Robert H. McNabb | WEBRP   | 0   | 0   | 0  |
|                  | EWAP  | 5   | 125,433   | 0  |
| Ana Dutra        |   |   |   |  |

(1) Represents monthly payment of \$1,166 during Mr. Hourihan's life or his spouse's life, whichever is later.

**Estimated Annual Benefit\* for Representative Years of Service and Final Average Salary**

*\*Benefit is calculated using full target benefit of 25% of final average salary.*

We amended the Company's Worldwide Executive Benefit Retirement Plan to provide for no annual accruals after April 2003 and to provide that final average salary would be the greater of (i) the participant's highest average monthly base salary during the 36 consecutive months out of the 72-month period ending June 1, 2003 or (ii) the participant's base salary as of June 1, 2003. In addition, we made no accruals to the Plan for our 2003, 2004, 2005, 2006, 2007 and 2008 fiscal years. Under the terms of the Company's Worldwide Executive Benefit Retirement Plan, designated managing directors and Vice Presidents would be entitled to receive an unfunded supplemental retirement benefit upon attainment of age 65, with a reduced benefit available as early as age 55. The supplemental benefit calculated on a single-life basis would be an annual amount equal to the named executive's final average salary multiplied by a service percentage. The target service percentage is 25% with 1/20th accrued each year over the first 20 years of participation. The supplemental benefit was also offset by any retirement benefits provided by us and/or the local

government. As of April 30, 2008, the credited years of service with accrued benefits for the Company's named executive officers were: Paul C. Reilly, 0 years; Gary D. Burnison, 0 years; Stephen C. Giusto, 0 years; Gary C. Hourihan, 2 years; Robert H. McNabb, 0 years and Ana Dutra, 0 years. None of the benefits above are subject to any deduction for Social Security or other fiscal offset amount.

#### **Enhanced Wealth Accumulation Plan**

We amended the Enhanced Wealth Accumulation Plan ( EWAP ) in 2003 to allow no new participation in the plan. Under the terms of the EWAP designated managing directors and vice presidents were entitled to participate in a deferral unit and receive an unfunded defined benefit payment upon attainment of age 65, with a reduced benefit available as early as age 55. Participants are required to contribute a portion of their compensation for an eight year period in exchange for defined benefit payments from the Company equal to their years of service up to a maximum of 15 years of service.

**Table of Contents****Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans**

The nonqualified defined contributions of the named executive officers as of fiscal year end April 30, 2008 are set forth in the table below. Please see the Compensation Discussion and Analysis section for further discussion of the Company's nonqualified deferred compensation plan.

| <b>Name</b>      | <b>Executive Contributions in Last FY (\$)</b> | <b>Registrant Contributions in Last FY (\$)</b> | <b>Aggregate Loss in Last FY (\$)</b> | <b>Aggregate Withdrawals/Distributions (\$)</b> | <b>Aggregate Balance at Last FYE (\$)</b> |
|------------------|--|---|---------------------------------------|---|---|
| Paul C. Reilly   | 20,000   | 8,000   | 20,241                                | 0   | 2,081,177                                 |
| Gary D. Burnison | 20,000   | 8,000   | 23,787                                | 206,024   | 535,530                                   |
| Gary C. Hourihan | 0  | 0   | 622                                   | 138,866   | 254,410                                   |
| Robert H. McNabb | 70,500   | 8,000   | 57,369                                | 0   | 905,657                                   |

\* The Aggregate Balance at Last FY is comprised of contributions made by both named executive officers and Company.

**Potential Payments Upon Termination or Change of Control**

The tables below reflect the amount of compensation that would become payable to each of the named executive officers under existing plans and arrangements if the named executive's employment had terminated on April 30, 2008, given the named executive's compensation and service levels as of such date and, if applicable, based on the Company's closing stock price on that date. These benefits are in addition to benefits available prior to the occurrence of any termination of employment, including benefits under then-exercisable stock options, benefits generally available to salaried employees, such as distributions under the company's 401(k) plan and pension plan, and previously accrued and vested benefits under the Company's non qualified deferred compensation plans, as described in the tables above. In addition, in connection with any actual termination of employment, the Company may determine to enter into an agreement or to establish an arrangement providing additional benefits or amounts, or altering the terms of benefits described below, as the Committee determines appropriate. The actual amounts that would be paid upon a named executive officer's termination of employment can be determined only at the time of such executive's separation from the Company. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be higher or lower than reported below. Factors that could affect these amounts include the timing during the year of any such event, the Company's stock price and the executive's age.

*Paul C. Reilly, Chairman since June 29, 2001 and Chief Executive Officer from June 29, 2001 until June 30, 2007.*

Under the New Reilly Agreement, if Mr. Reilly is terminated for any reason other than for cause, we will pay him a pro-rata portion of his bonus for the year of termination (assumed at the full-year target bonus in the table below). In addition, Mr. Reilly will receive a previously accrued and disclosed single lump sum cash payment of \$1,625,000 for non-renewal of his original employment agreement. The New Reilly Agreement generally provides for payment of any excise tax, if applicable, including any interest or penalties imposed by Section 4999 of the Internal Revenue

Code of 1986, as amended.

| <b>Paul Reilly</b>                                   | <b>Termination<br/>for Cause</b> | <b>Termination for<br/>any Reason<br/>Other than<br/>for Cause</b> |
|--|----------------------------------|--|
| Payment of Previously Accrued Non-Renewal Obligation | \$ 1,625,000                     | \$ 1,625,000   |
| Bonus  | N/A                              | \$ 750,000   |
| Health Benefits                                      | \$ 23,503                        | \$ 23,503  |
| Gross Up   | \$                               | \$   |
| <b>Total</b>   | <b>\$ 1,648,503</b>              | <b>\$ 2,398,503</b>  |

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*Gary D. Burnison, Chief Executive Officer since July 1, 2007, Chief Operating Officer from October 1, 2003 until June 30, 2007, Chief Financial Officer and Executive Vice-President from March 20, 2002 until June 30, 2007 and Stephen J. Giusto, Chief Financial Officer and Executive Vice President since November 1, 2007.* Under the Burnison and Giusto Employment Agreements, if the executive's employment terminates due to death or disability, then we will pay him, or his legal representatives: (1) all accrued compensation as of the date of termination, (2) all outstanding stock options, other equity-type incentives (excluding performance shares) and benefits under the ECAP will fully vest; (3) a pro rata portion of his target annual cash incentive award for the fiscal year in which his employment is terminated; (4) the number of performance shares that would have been earned if he had served the Company for the entire performance period and the target performance had been achieved; and (5) reimbursement of COBRA coverage premiums for the executive and his dependents for as long as such coverage is available under COBRA. If we terminate the executive's employment for cause or the executive voluntarily terminates his employment without good reason, then we will pay him accrued compensation through the date of termination.

Prior to a change in control or more than 12 months after a change in control, if Mr. Burnison or Mr. Giusto's employment is terminated by us without cause or by the executive for good reason, then we will provide the executive with the following: (1) his accrued compensation; (2) pro rata portion of his target annual cash incentive award for the year in which his employment terminated; (3) cash payments equal to one and one-half times (one time for Mr. Giusto) his then current annual base salary and one and one-half times (one time for Mr. Giusto) his target bonus; (4) for up to 18 months after termination, reimbursement of COBRA coverage premiums for the executive and his dependents for as long as such coverage is available under COBRA; (5) all outstanding stock options, other equity-type incentives, and all benefits held under the ECAP (excluding performance shares) at the time of termination that would have vested within 12 months of his termination will vest on the date of termination; and (6) a pro rata award of performance shares assuming the Company meets applicable performance targets.

If there is a change of control and within 12 months Mr. Burnison or Mr. Giusto's employment is terminated by us without cause or by the executive for good reason, then we will provide the executive with the following: (1) his accrued compensation; (2) a pro rata portion of his target annual cash incentive award; (3) cash payments equal to the sum of two times (one and one half times for Mr. Giusto) his current annual base salary and two times (one and one half times for Mr. Giusto) his target bonus; (4) for up to 18 months after termination, reimbursement of COBRA coverage premiums for the executive and his dependents for so long as such coverage is available under COBRA and six months thereafter, reimbursement of a portion of the cost of healthcare coverage for him and his dependents; (5) all outstanding stock options, other equity-type incentives, and all benefits under ECAP (excluding performance shares) at time of termination will vest; (6) a pro rata award of performance shares based on the Company's actual performance and (7) a pro rata award of performance shares assuming the Company meets applicable performance targets.

The Burnison and Giusto Employment Agreements generally provide for payment of any excise tax, if applicable, including any interest or penalties, imposed by Section 4999 of the Internal Revenue Code of 1986, as amended.

|                      | <b>Prior to a Change in<br/>Control<br/>or More than 12 Months<br/>after<br/>a Change in Control and<br/>Termination Without<br/>Cause</b> | <b>Within 12 Months after<br/>a<br/>Change in Control and<br/>Termination Without<br/>Cause</b> | <b>Death or<br/>Disability</b> |
|----------------------|--|---|--------------------------------|
| <b>Gary Burnison</b> | <b>or With Good Reason</b>   | <b>or With Good Reason(1)</b>   |                                |

|   |           |                  |           |                  |           |                  |
|---|-----------|------------------|-----------|------------------|-----------|------------------|
| Equity/ECAP (excluding<br>Performance Shares) | \$        | 737,679          | \$        | 2,243,214        | \$        | 2,243,214        |
|   |           | 37,095           |           | 142,447          |           | 142,447          |
| Performance Shares                            | \$        | 246,910          | \$        | 409,027          | \$        | 409,027          |
| Base Salary(2)                                | \$        | 1,012,500        | \$        | 1,350,000        |           | N/A              |
| Bonus(2)                                      | \$        | 1,012,500        | \$        | 1,350,000        | \$        | 675,000          |
| Health Benefits                               | \$        | 35,255           | \$        | 47,006           | \$        | 70,509           |
| Gross Up                                      |           | N/A              | \$        |                  |           | N/A              |
| <b>Total</b>                                  | <b>\$</b> | <b>3,023,886</b> | <b>\$</b> | <b>5,403,013</b> | <b>\$</b> | <b>3,401,517</b> |

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| <b>Stephen Giusto</b>                         | <b>Prior to a Change in Control<br/>or More than 12 Months after<br/>a Change in Control and<br/>Termination Without Cause</b> |                | <b>Within 12 Months after<br/>a<br/>Change in Control and<br/>Termination Without Cause</b> |                  | <b>Death or<br/>Disability</b> |
|---|--|----------------|---|------------------|--------------------------------|
|   | <b>or With Good Reason</b>   |                | <b>or With Good Reason(1)</b>   |                  |                                |
| Equity/ECAP (excluding<br>Performance Shares) | \$   | 105,740        | \$  | 317,220          | \$ 317,220                     |
|   |  | 2,000          |   | 8,000            | 8,000                          |
| Performance Shares                            |  | N/A            |   | N/A              | N/A                            |
| Base Salary                                   | \$   | 400,000        | \$  | 600,000          | N/A                            |
| Bonus   | \$   | 400,000        | \$  | 600,000          | \$ 400,000                     |
| Health Benefits                               | \$   | 35,255         | \$  | 47,006           | \$ 70,509                      |
| Gross Up                                      |  | N/A            | \$  |                  | N/A                            |
| <b>Total</b>                                  | <b>\$</b>  | <b>941,001</b> | <b>\$</b>   | <b>1,564,226</b> | <b>\$ 787,729</b>              |

(1) Upon a termination without Cause by the Company or with Good Reason by the executive within 12 months after a Change in Control, the executive is entitled to a pro rata award of performance shares based on the Company's actual performance and a pro rata award of performance shares assuming the Company meets applicable performance targets. For the calculations above both of these performance share grants assumed the Company met the applicable target as actual performance is not available.

(2) Reflects Mr. Burnison's annual base salary as of July 1, 2008 of \$675,000.

*Robert H. McNabb, Chief Executive Officer of Korn/Ferry International Futurestep, Inc. since July 2002 and Executive Vice-President of Korn/Ferry International.* The McNabb Employment Agreement, as modified by the McNabb Letter Agreement, provides for the following payments and benefits to Mr. McNabb upon termination. If Mr. McNabb's employment terminates due to death or disability, we will pay him or his legal representatives: (1) all accrued compensation as of the date of termination; (2) all outstanding stock options and other equity-type incentives will fully vest and (3) continued participation for Mr. McNabb and/or his dependents in the Company's group health plans at the expense of the Company for as long as COBRA is available. If the Company terminates Mr. McNabb for cause or Mr. McNabb voluntarily terminates his employment without good reason, then we will pay Mr. McNabb within 30 days after the date of such termination accrued compensation through the date of termination.

If, prior to a change in control, Mr. McNabb's employment is terminated by the Company without cause or by reason of a failure to renew the term of Mr. McNabb's employment with the Company, he will receive within 30 days of termination (1) his accrued compensation; (2) one times his base salary; (3) one time his annual target cash bonus; (4) all unvested outstanding stock options and other equity-type incentives held at the time of termination that would have vested during the 12 months following termination will vest on the date of termination; and (5) for up to 18 months after termination, continued participation for Mr. McNabb and his dependents in the Company's group health plans at the Company's expense.



If, after a change in control and within 12 months, Mr. McNabb's employment is terminated by the Company without cause or by reason of a failure to renew before Mr. McNabb reaches the age of 65, or by Mr. McNabb for good reason, he will receive: (1) his accrued compensation; (2) one and one-half times his current base salary; (3) one and one-half times the annual target cash bonus for the incentive year in which termination occurs; (4) all outstanding stock options and other equity-type incentives held by Mr. McNabb at termination will become fully vested and (5) for up to 18 months after termination, continued participation for Mr. McNabb and his dependents in the Company's group health plans at the Company's expense.

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|                      | <b>Prior to Change in Control and Termination Without Cause or Company Does not Renew Employment Agreement</b> |                  | <b>Within 12 Months after a Change in Control and Termination Without Cause or with Good Reason or Company Does Not Renew Employment Agreement before Executive Turns 65 or</b> |                  | <b>Death or Disability</b> |
|----------------------|--|------------------|---|------------------|----------------------------|
| <b>Robert McNabb</b> | <b>Agreement</b>   |                  | <b>w/ Good Reason</b>   |                  |                            |
| Equity               | \$   | 242,673          | \$  | 653,380          | \$ 653,380                 |
| Base Salary          | \$   | 450,000          | \$  | 675,000          | N/A                        |
| Bonus                | \$   | 450,000          | \$  | 675,000          | N/A                        |
| Health Benefits      | \$   | 35,255           | \$  | 35,255           | \$ 70,509                  |
| <b>Total</b>         | <b>\$</b>  | <b>1,139,245</b> | <b>\$</b>   | <b>2,034,510</b> | <b>\$ 719,765</b>          |

For purposes of the foregoing employment agreements, Cause, Change in Control, Disability, Good Reason, and Performance Reason, mean the following:

**Cause means:**

For purposes of the New Reilly Employment Agreement, (a) conviction of a felony involving moral turpitude, or (b) engagement in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out duties under the agreement, resulting, in either case, in material economic harm to the Company, unless Mr. Reilly believed in good faith that such act or nonact was in the best interests of the Company.

For purposes of the New Burnison Employment Agreement, Giusto Employment Agreement and McNabb Employment Agreement, as modified by the McNabb Letter Agreement, (a) conviction of any felony or other crime involving fraud, dishonesty or acts of moral turpitude or pleading guilty or nolo contendere to such charges, or (b) reckless or intentional behavior or conduct that causes or is reasonably likely to cause the Company material harm or injury or exposes or is reasonably likely to expose the Company to any material civil, criminal or administrative liability, or (c) any material misrepresentation or false statement made by the executive in any application for employment, employment history, resume or other document submitted to the Company, either before, during or after employment. For purposes of the McNabb Employment Agreement, Cause also means any willful failure to comply with a lawful order, policy or instruction of the Chief Executive Officer of the Board.

**Change in Control means:**

an acquisition by any person of beneficial ownership or a pecuniary interest in more than 30% of the common stock of the Company or voting securities entitled to then vote generally in the election of directors ( Voting Stock ) of the Company, after giving effect to any new issue in the case of an acquisition from the Company;

approval by the stockholders of the Company of a plan, or the consummation, of merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company's consolidated assets as an entirety (collectively, a Business Combination ), other than a Business Combination (a) in which all or substantially all of the holders of Voting Stock of the Company hold or receive directly or indirectly 70% or more of the Voting Stock of the entity resulting from the Business Combination (or a parent company), and (b) after which no person (other than the Company or its affiliates) owns more than 30% of the Voting Stock of the resulting entity (or a parent company) who did not own directly or indirectly at least that percentage of the Voting Stock of the Company immediately before the Business Combination, and (c) after which the Company and/or its affiliates own an aggregate amount of Voting Stock of the resulting entity owned by any persons who (i) own more than 5% of the Voting Stock of the resulting entity, (ii) are not the Company or its affiliates, (iii) did not own directly or indirectly at least the same percentage of the Voting Stock of the Company immediately before the Business Combination, and (iv) in the aggregate own more than 30% of the Voting Stock of the resulting entity, if any, and who owns more than 30% of the voting stock);

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

during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new directors whose appointment, election, or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved (all such directors, Incumbent Directors), cease for any reason to constitute a majority of the Board. Notwithstanding the above provisions, no Change in Control shall be deemed to have occurred if a Business Combination, as described above, is effected and a majority of the Incumbent Directors, through the adoption of a Board resolution, determines that, in substance, no Change in Control has occurred.

In addition, for purposes of the McNabb Employment Agreement, as modified by the McNabb Letter Agreement, no Change in Control shall be deemed to have occurred upon any sole or other disposition of Futurestep.

**Good Reason means, if without the executive's prior written consent:**

the Company materially reduces executive's duties or responsibilities or assigns him duties which are materially inconsistent with his duties or which materially impair his ability to function in his position;

the Company fails to satisfy its compensation obligations under the executive's employment agreement or materially reduces any employee benefit or perquisite enjoyed by him (in each case, other than as part of an across-the-board reduction applicable to all executive officers of the Company);

the Company fails to perform or breaches its obligations under any other material provision of the executive's employment agreement and fails to cure such failure or breach within the period required by the executive's employment agreement;

the executive's primary location of business is moved by the distance set forth in the executive's employment agreement; or

the Company fails to obtain the assumption in writing of its obligation to perform the agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale or similar transaction; provided, however, that Mr. McNabb shall not be deemed to have Good Reason if, following any sale or other disposition of Futurestep, Mr. McNabb is no longer Chief Executive Officer of Futurestep and his title is changed to Senior Vice President of the Company.

For purposes of the Giusto Employment Agreement, Good Reason shall also be deemed to exist if the Company reduces his title of Chief Financial Officer or removes him.

**Table of Contents****Fiscal 2008 Compensation of Directors**

The compensation of directors, including all incentive, restricted stock and stock option awards, for fiscal 2008 is set forth in the table below:

| Name               | Fees<br>Earned<br>or Paid in<br>Cash<br>(\$) | Stock<br>Awards<br>(\$)(1) | Option<br>Awards<br>(\$)(1) | Change<br>in<br>Pension<br>Value<br>and                 |  |                                      | Total<br>(\$) |
|--------------------|--|----------------------------|-----------------------------|---|--|--------------------------------------|---------------|
|                    |  |                            |                             | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Nonqualified<br>Deferred<br>Compensation<br>Earnings | All<br>Other<br>Compensation<br>(\$) |               |
| James Barlett      | 60,000                                       | 60,000                     | 0                           | 0   | 0  | 0                                    | 120,000       |
| Frank Cahouet      | 70,000                                       | 60,000                     | 0                           | 0   | 0  | 0                                    | 130,000       |
| Gary Burnison      | 0  | 0                          | 0                           | 0   | 0  | 0                                    | 0             |
| Patti Hart         | 115,000                                      | 60,000                     | 0                           | 0   | 0  | 0                                    | 175,000       |
| Debra Perry        | 35,396                                       | 35,396                     | 0                           | 0   | 0  | 0                                    | 70,792        |
| Edward Miller      | 0  | 120,000                    | 0                           | 0   | 0  | 0                                    | 120,000       |
| Ihno Schneevoigt   | 60,000                                       | 60,000                     | 0                           | 0   | 0  | 0                                    | 120,000       |
| Gerhard Schulmeyer | 60,000                                       | 60,000                     | 0                           | 0   | 0  | 0                                    | 120,000       |
| Kenneth Whipple    | 68,000                                       | 60,000                     | 0                           | 0   | 0  | 0                                    | 128,000       |
| Harry You          | 60,000                                       | 60,000                     | 0                           | 0   | 0  | 0                                    | 120,000       |
| Paul Reilly        | 0  | 0                          | 0                           | 0   | 0  | 0                                    | 0             |

(1) Represents the dollar amount recognized for financial statement reporting purposes for the year ended April 30, 2008 in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004).

Directors who are also employees or officers do not receive any additional compensation for their service on the Board. The non-employee director compensation program provides for an annual equity award with a value of \$60,000, comprised of restricted stock units to be awarded on the date of each annual meeting of stockholders. The number of units subject to such award is determined by dividing \$60,000 by the closing price of the Company's common stock on the date of such annual meeting of stockholders (rounded to the nearest whole unit). Additionally, non-employee directors receive each year \$60,000 either in cash or in restricted stock units on the date of each annual meeting of stockholders. In addition, the Audit Committee chair receives \$10,000 in cash annually, the Compensation and Personnel Committee chair receives \$8,000 in cash annually, and all other special committee chairs receive \$5,000 in cash annually. The Lead Director also receives cash compensation of \$50,000 annually. All directors are reimbursed for their out-of-pocket expenses incurred in connection with their duties as directors.

**Table of Contents****Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth, as of the record date of July 25, 2008, the beneficial ownership of common stock of the Company of each director and each nominee for director, each executive officer named in the Summary Compensation Table (the named executive officers), and the holdings of all directors, nominees and executive officers as a group. The following table also sets forth the names of those persons known to us to be beneficial owners of more than 5% of the Company's common stock. Unless otherwise indicated, the mailing address for each person named is 1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067.

| Name of Beneficial Owner   | Amount Beneficially Owned and Nature of Beneficial Ownership(1) | Percent of Class |
|--|---|------------------|
| Paul C. Reilly   | 535,056(1)  | *                |
| James E. Barlett   | 38,684(2)   | *                |
| Frank V. Cahouet   | 65,713(3)   | *                |
| Patti S. Hart  | 38,496(4)   | *                |
| Edward D. Miller   | 50,552(5)   | *                |
| Debra Perry  | 2,222(6)  | *                |
| Ihno Schneevoigt   | 20,753(7)   | *                |
| Gerhard Schulmeyer   | 29,701(8)   | *                |
| Kenneth Whipple  | 26,358(9)   | *                |
| Harry L. You   | 21,682(10)  | *                |
| Gary D. Burnison   | 225,255(11)   | *                |
| Stephen J. Giusto  | 28,360(12)  | *                |
| Gary C. Hourihan   | 53,050(13)  | *                |
| Robert H. McNabb   | 74,509(14)  | *                |
| Ana Dutra  | 89,180(15)  | *                |
| All directors and executive officers as a group (15 persons)   | 1,426,878(16)   | 3.04%            |
| Royce & Associates, LLC<br>1414 Avenue of the Americas,<br>New York, NY 10019                        | 5,298,451(17)   | 11.28%           |
| T. Rowe Price Associates, Inc.<br>100 E. Pratt Street,<br>Baltimore Maryland 21202                   | 4,514,000(18)   | 9.61%            |
| Fiduciary Management Company<br>100 East Wisconsin Ave.;<br>Suite 2200, Milwaukee, WI 53202          | 2,677,480(19)   | 5.70%            |
| Kornitzer Capital Management, Inc.<br>5420 West 61 <sup>st</sup> Place,<br>Shawnee Mission, KS 66205 | 2,480,110(20)   | 5.28%            |

\* Designates ownership of less than 1% of the Company's outstanding common stock.

- (1) Holding includes 37,896 shares of restricted stock as to which Mr. Reilly has voting power and 492,370 shares of common stock which Mr. Reilly has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (2) Holding includes 4,864 shares of restricted stock as to which Mr. Barlett has voting power and 33,820 shares of common stock which Mr. Barlett has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (3) Holding includes 4,864 shares of restricted stock as to which Mr. Cahouet has voting power, 26,600 shares of common stock held by the Frank V. Cahouet Revocable Trust dated November 2, 1993 and 34,249 shares of

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common stock which Mr. Cahouet has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.

- (4) Holding includes 4,864 shares of restricted stock as to which Ms. Hart has voting power and 33,632 shares of common stock which Ms. Hart has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (5) Holding includes 11,559 shares of restricted stock as to which Mr. Miller has voting power and 31,193 shares of common stock which Mr. Miller has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (6) Holding includes 2,222 shares of restricted stock as to which Ms. Perry has voting power.
- (7) Holding includes 4,864 shares of restricted stock as to which Mr. Schnevoigt has voting power and 15,889 shares of common stock which Mr. Schnevoigt has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (8) Holding includes 4,864 shares of restricted stock as to which Mr. Schulmeyer has voting power and 22,837 shares of common stock which Mr. Schulmeyer has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (9) Holding includes 8,159 shares of restricted stock as to which Mr. Whipple has voting power and 18,199 shares of common stock which Mr. Whipple has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (10) Holding includes 8,159 shares of restricted stock as to which Mr. You has voting power and 13,523 shares of common stock which Mr. You has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (11) Holding includes 198,022 shares of restricted stock as to which Mr. Burnison has voting power and 21,760 shares of common stock which Mr. Burnison has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (12) Holding includes 39,720 shares of restricted stock as to which Mr. Giusto has voting power.
- (13) Holding includes 42,006 shares of restricted stock as to which Mr. Hourihan has voting power and 9,217 shares of common stock which Mr. Hourihan has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Plan.
- (14) Holding includes 61,635 shares of restricted stock as to which Mr. McNabb has voting power and 11,953 shares of common stock which Mr. McNabb has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.
- (15) Holding includes 89,180 shares of restricted stock as to which Ms. Dutra has voting power.
- (16) Total holding as a group includes 22,500 shares of common stock held by the Frank V. Cahouet Revocable Trust dated November 2, 1993, 641,862 shares of restricted stock as to which the group has voting power and 738,642 shares of common stock which the group has the right to acquire beneficial ownership of within 60 days through the exercise of options granted under the Performance Award Plan.



- (17) This information was obtained from a Schedule 13G/A filed on February 1, 2008
- (18) This information was obtained from a Schedule 13G/A filed on February 13, 2008
- (19) This information was obtained from a Schedule 13G/A filed on February 14, 2008
- (20) This information was obtained from a Schedule 13G/A filed on March 5, 2008

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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee is comprised of three outside directors, all of whom are independent under the Company's independence standards, the applicable listing standards of the NYSE and the applicable rules of the Securities and Exchange Commission (SEC). The Audit Committee is governed by a written charter, as amended and restated, which has been adopted by the Board. A copy of the current Audit Committee charter is available on the Company's website at [www.kornferry.com](http://www.kornferry.com) in the Corporate Governance section of the Media/Investors webpage.

Management of the Company is responsible for the preparation, presentation, and integrity of the consolidated financial statements, maintaining a system of internal controls and having appropriate accounting and financial reporting principles and policies. The independent registered public accounting firm is responsible for planning and carrying out an audit of the consolidated financial statements and an audit of internal control over financial reporting in accordance with the rules of the Public Company Accounting Oversight Board (United States) and expressing an opinion as to the consolidated financial statements conformity with accounting principles generally accepted in the United States and as to internal control over financial reporting. The Audit Committee monitors and oversees these processes and is responsible for selecting and overseeing the Company's independent auditor.

As part of the oversight process, the Audit Committee met six times during fiscal 2008. Throughout the year, the Audit Committee met with the Company's independent registered public accounting firm, management and internal auditor, both together and separately in closed sessions. In the course of fulfilling its responsibilities, the Audit Committee did, among other things, the following:

reviewed and discussed with management and the independent registered public accounting firm the Company's consolidated financial statements for the fiscal year ended April 30, 2008 and the quarters ended July 31, 2007, October 31, 2007 and January 31, 2008;

reviewed management's representations that the Company's consolidated financial statements were prepared in accordance with United States generally accepted accounting principles and present fairly the results of operations and financial position of the Company;

discussed with the independent registered public accounting firm the matters required by Statement of Auditing Standards No. 61, as amended;

received letters from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 confirming their independence;

considered whether the provision of non-audit services by the registered public accounting firm to the Company is compatible with maintaining the registered public accounting firm's independence, and discussed with the auditor their independence; and

reviewed and discussed with management its assessment and report on the effectiveness of the Company's internal controls over financial reporting as of April 30, 2008, which it made using the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission in Internal Control-Integrated Framework. The Audit Committee has reviewed and discussed with the Company's independent registered public accounting firm its review and report on the Company's internal control over financial reporting.

Based on the foregoing review and discussions described in this report, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the Company's Form 10-K for the fiscal year ended April 30, 2008 for filing with the SEC.

**Audit Committee**

Frank V. Cahouet, Chair

James E. Barlett

Kenneth Whipple

Debra Perry

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**OTHER MATTERS**

**Certain Relationships and Related Transactions**

Notwithstanding the employment agreements described in this Proxy Statement, the Company has not entered into any transactions with any executive officer, director, or director nominee, beneficial owner of more than five percent of the Company's common stock, or any immediate family member of any of the foregoing.

**Related Person Transaction Approval Policy**

In June 2007, the Board adopted a policy for the review and approval of all transactions with related persons, pursuant to which the Audit Committee shall review the material facts of, and either approve or disapprove of the Company's entry into, any transaction, arrangement or relationship or any series thereof in which (i) the aggregate amount involved will or may be expected to exceed \$100,000 in any calendar year, (ii) the Company is a participant, and (iii) any related person has or will have a direct or indirect interest (other than solely as a result of being a director or less than ten percent beneficial owner of another entity). For purposes of this policy, a related person is any executive officer, director or director nominee of the Company, any beneficial owner of more than five percent of the Company's common stock, or any immediate family member of any of the foregoing. The Audit Committee has reviewed and pre-approved the entry into certain types of related person transactions, including without limitation the employment of executive officers and director compensation. In addition, the Board has delegated to the chair of the Audit Committee the authority to pre-approve or ratify any transaction with a related person in which the aggregate amount involved is less than \$1,000,000.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's directors, officers and ten percent beneficial owners to file reports of ownership and changes in ownership of their equity securities of the Company with the SEC and to furnish the Company with copies of such reports. Based solely on a review of Forms 3 and 4 and amendments thereto furnished to the Company and the representations of reporting persons, all of the filings by the Company's directors, officers and beneficial owners of more than ten percent of a class of equity securities were filed on a timely basis during fiscal 2008.

**Annual Report to Stockholders**

Enclosed with this Proxy Statement is the Company's Annual Report to Stockholders for fiscal 2008, which includes the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2008 (Form 10-K) (excluding the exhibits thereto). The Annual Report to Stockholders is enclosed for the convenience of stockholders and should not be viewed as part of the proxy solicitation materials. If any person who was a beneficial owner of the common stock of the Company on July 25, 2008 desires additional information, a complete copy of the Company's Form 10-K, including the exhibits thereto, will be furnished upon written request. The request should identify the requesting person as a stockholder as of July 25, 2008 and should be directed to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, California 90067, Attention: Corporate Secretary. The Company's Form 10-K, including the exhibits thereto, is also available through the SEC's web site at <http://www.sec.gov>.

**Communications with Directors**

Any stockholder or other party interested in communicating with members of the Board, any of its committees, the independent directors as a group or any of the independent directors may send written communications to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067, Attention: Corporate Secretary. Communications received in writing are forwarded to the Board, committee or to any individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to the Company or its business, or is similarly inappropriate. The Corporate Secretary has the authority to discard or disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

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**Submission of Stockholder Proposals for Consideration at the 2009 Annual Meeting**

Proposals of stockholders intended to be presented at the 2009 Annual Meeting of Stockholders, pursuant to Rule 14a-8(e) under the Exchange Act, must be received by the Company no later than April 6, 2009 in order to be considered for inclusion in the Company's proxy materials for that meeting. Proposals should be submitted in writing to Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, California 90067, Attention: Corporate Secretary. Each notice of any stockholder proposal must comply with the Exchange Act, the rules and regulations thereunder, and the Company's bylaws as in effect at the time of such notice. In addition, the Company's bylaws require that the Company be given advance written notice of stockholder nominations for election to the Company's Board and other matters which stockholders wish to present for action at an annual meeting of stockholders (other than matters included in the Company's proxy materials in accordance with Rule 14a-8 under the Exchange Act). The Corporate Secretary must receive such notice at the address noted above at least 90 and not more than 120 days prior to the anniversary of the annual meeting of stockholders in the previous year.

**Stockholders Sharing an Address**

The Company will deliver only one Annual Report to Stockholders and Proxy Statement to multiple stockholders sharing an address unless the Company has received contrary instructions from one or more of the stockholders. The Company will undertake to deliver promptly, upon written or oral request, a separate copy of the Annual Report to Stockholders and/or Proxy Statement to a stockholder at a shared address to which a single copy of the Annual Report to Stockholders and Proxy Statement are delivered. A stockholder can notify the Company either in writing or by phone that the stockholder wishes to receive a separate copy of the Annual Report to Stockholders and/or Proxy Statement, or stockholders sharing an address can request delivery of a single copy of the Annual Report to Stockholders and/or Proxy Statement if they are receiving multiple copies, by contacting the Company at Korn/Ferry International, 1900 Avenue of the Stars, Suite 2600, California 90067, Attention: Corporate Secretary or at (310) 552-1834.

**By Order of the Board of Directors,**

Peter L. Dunn  
*Corporate Secretary and General Counsel*

August 29, 2008

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**KORN/FERRY INTERNATIONAL  
2008 STOCK INCENTIVE PLAN**

**1. Purpose**

The purpose of the Korn/Ferry International 2008 Stock Incentive Plan (the *Plan*) is to advance the interests of the Korn/Ferry International (the *Company*) by stimulating the efforts of employees, officers, non-employee directors and other service providers, in each case who are selected to be participants, by heightening the desire of such persons to continue working toward and contributing to the success and progress of the Company. The Plan supersedes the Company's Performance Award Plan with respect to future awards, and provides for the grant of Incentive and Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock and Restricted Stock Units, any of which may be performance-based, and for Incentive Bonuses, which may be paid in cash or stock or a combination thereof, as determined by the Administrator.

**2. Definitions**

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) *Administrator* means the Administrator of the Plan in accordance with Section 18.
- (b) *Award* means an Incentive Stock Option, Nonqualified Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit or Incentive Bonus granted to a Participant pursuant to the provisions of the Plan, any of which the Administrator may structure to qualify in whole or in part as a Performance Award.
- (c) *Award Agreement* means a written agreement or other instrument as may be approved from time to time by the Administrator implementing the grant of each Award. An Agreement may be in the form of an agreement to be executed by both the Participant and the Company (or an authorized representative of the Company) or certificates, notices or similar instruments as approved by the Administrator.
- (d) *Board* means the board of directors of the Company.
- (e) *Cause* means (unless otherwise expressly provided in the Award Agreement or another contract, including an employment agreement) a termination of service, based upon a finding by the Company, acting in good faith and based on its reasonable belief at the time, that the Participant: (1) is or has been dishonest, incompetent, or negligent in the discharge of his or her duties to the Company; or has refused to perform stated or assigned duties; (2) has committed a theft or embezzlement, or a breach of confidentiality or unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information, or a breach of fiduciary duty involving personal profit, or a willful or negligent violation of any law, rule or regulation or of Company rules or policy, in any material respect; or has been convicted of a felony or misdemeanor (other than minor traffic violations or similar offenses); (3) has materially breached any of the provisions of any agreement with the Company or a parent corporation; or (4) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of the Company; or has induced a customer to break or terminate any contract with the Company or an affiliate; or has induced any principal for whom the Company (or an affiliate) acts as agent to terminate such agency relationship. A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Administrator) on the date when the Company first delivers notice to the Participant of a finding of termination for Cause and shall be final in all respects on the date following the opportunity to be heard and written notice to the Participant that his or her service is terminated.

(f) *Change in Control* means any of the following:

(1) An acquisition by any Person (excluding one or more Excluded Persons) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) or a pecuniary interest in (either comprising ownership of ) more than 50% of the Common Stock or voting securities entitled to then vote generally in the election of directors of the Company ( Voting Stock ), after giving effect to any new issue in the case of an acquisition from the Company; or

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(2) Consummation of a merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company's consolidated assets as an entirety (collectively, a Business Combination), other than a Business Combination (A) in which all or substantially all of the holders of Voting Stock hold or receive directly or indirectly 50% or more of the voting stock of the entity resulting from the Business Combination (or a parent company), and (B) after which no Person (other than any one or more of the Excluded Persons) owns more than 50% of the voting stock of the resulting entity (or a parent company) who did not own directly or indirectly at least that amount of Voting Stock immediately before the Business Combination, and (C) after which one or more Excluded Persons own an aggregate number of shares of the voting stock at least equal to the aggregate number of shares of voting stock owned by any other Person who is not an Excluded Person (except for any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act), if any, and who owns more than 50% of the voting stock.

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

(4) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director designated by a person who has entered into an agreement or arrangement with the Company to effect a transaction described in clause (1) or (2) of this definition) whose appointment, election, or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board;

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

(g) *Code* means the Internal Revenue Code of 1986, as amended from time to time, and the rulings and regulations issues thereunder.

(h) *Common Stock* means the Company's common stock, par value \$.01, subject to adjustment as provided in Section 12.

(i) *Company* means Korn/Ferry International, a Delaware corporation.

(j) *Detrimental Activity* with respect to a Participant means that such Participant:

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

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

(3) has entered the employ of, renders services to, or has acquired a financial interest in any person engaged in any business that competes with the business of any entity within the Company Group; has acted intentionally in a manner injurious to the reputation, business or assets of, any entity within the Company Group; has interfered with business relationships (whether formed before or after the date hereof) between the Company, any Subsidiary, any of their respective affiliates, and any customers, suppliers, officers, employees, partners, members or investors; has influenced or attempted to influence a

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vendor or customer of any entity within the Company Group, either directly or indirectly, to divert their business away from the Company Group, induced a principal for whom an entity within the Company Group acts as agent to terminate such agency relationship, or induced an employee of any entity within the Company Group who earned \$25,000 or more on an annualized basis during the last six months of his or her employment to work for any business, individual, partnership, firm, corporation, or other entity then in competition with the business of any entity within the Company Group.

(k) *Disability* shall mean a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months by reason of which the Participant is unable to engage in any substantial gainful activity.

(l) *Exchange Act* means the Securities Exchange Act of 1934, as amended from time to time.

(m) *Excluded Person* means (1) the Company or any Subsidiary; (2) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act; (3) any employee benefit plan of the Company; (4) any affiliates (within the meaning of the Exchange Act), successors, or heirs, descendants or members of the immediate families of the individuals identified in part (2) of this definition.

(n) *Fair Market Value* means, as of any date, the closing price per share at which the Shares are sold in the regular way on the New York Stock Exchange or, if no Shares are traded on the New York Stock Exchange on the date in question, then for the next preceding date for which Shares are traded on the New York Stock Exchange.

(o) *Incentive Bonus* means a bonus opportunity awarded under Section 9 pursuant to which a Participant may become entitled to receive an amount based on satisfaction of such performance criteria as are specified in the Award Agreement.

(p) *Incentive Stock Option* means a stock option that is intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(q) *Nonemployee Director* means each person who is, or is elected to be, a member of the Board and who is not an employee of the Company or any Subsidiary.

(r) *Nonqualified Stock Option* means a stock option that is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(s) *Option* means an Incentive Stock Option and/or a Nonqualified Stock Option granted pursuant to Section 6 of the Plan.

(t) *Participant* means any individual described in Section 3 to whom Awards have been granted from time to time by the Administrator and any authorized transferee of such individual.

(u) *Performance Award* means an Award, the grant, issuance, retention, vesting or settlement of which is subject to satisfaction of one or more Qualifying Performance Criteria established pursuant to Section 13.

(v) *Person* means an association, a corporation, an individual, a partnership, a trust or any other entity or organization, including a governmental entity and a person as that term is used under Section 13(d) or 14 (d) of the Exchange Act.

- (w) *Plan* means the Korn/Ferry International 2008 Stock Incentive Plan as set forth herein and as amended from time to time.
- (x) *Prior Plan* means the Company's Performance Award Plan.
- (y) *Qualifying Performance Criteria* has the meaning set forth in Section 13(b).
- (z) *Restricted Stock* means Shares granted pursuant to Section 8 of the Plan.
- (aa) *Restricted Stock Unit* means an Award granted to a Participant pursuant to Section 8 pursuant to which Shares or cash in lieu thereof may be issued in the future.
- (bb) *Share* means a share of the Common Stock, subject to adjustment as provided in Section 12.

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(cc) *Stock Appreciation Right* means a right granted pursuant to Section 7 of the Plan that entitles the Participant to receive, in cash or Shares or a combination thereof, as determined by the Administrator, value equal to or otherwise based on the excess of (i) the market price of a specified number of Shares at the time of exercise over (ii) the exercise price of the right, as established by the Administrator on the date of grant.

(dd) *Subsidiary* means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company where each of the corporations in the unbroken chain other than the last corporation owns stock possessing at least 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in the chain, and if specifically determined by the Administrator in the context other than with respect to Incentive Stock Options, may include an entity in which the Company has a significant ownership interest or that is directly or indirectly controlled by the Company.

(ee) *Termination of Employment* means ceasing to serve as a full-time employee of the Company and its Subsidiaries or, with respect to a Nonemployee Director or other service provider, ceasing to serve as such for the Company, except that with respect to all or any Awards held by a Participant (i) the Administrator may determine, subject to Section 6(d), that an approved leave of absence or approved employment on a less than full-time basis is not considered a Termination of Employment, (ii) the Administrator may determine that a transition of employment to service with a partnership, joint venture or corporation not meeting the requirements of a Subsidiary in which the Company or a Subsidiary is a party is not considered a Termination of Employment, (iii) service as a member of the Board or other service provider shall constitute continued employment with respect to Awards granted to a Participant while he or she served as an employee and (iv) service as an employee of the Company or a Subsidiary shall constitute continued employment with respect to Awards granted to a Participant while he or she served as a member of the Board or other service provider. The Administrator shall determine whether any corporate transaction, such as a sale or spin-off of a division or subsidiary that employs a Participant, shall be deemed to result in a Termination of Employment with the Company and its Subsidiaries for purposes of any affected Participant's Options, and the Administrator's decision shall be final and binding.

### **3. Eligibility**

Any person who is a current or prospective officer or employee of the Company or of any Subsidiary shall be eligible for selection by the Administrator for the grant of Awards hereunder. In addition, Nonemployee Directors and any other service providers who have been retained to provide consulting, advisory or other services to the Company or to any Subsidiary shall be eligible for the grant of Awards hereunder as determined by the Administrator. Options intending to qualify as Incentive Stock Options may only be granted to employees of the Company or any Subsidiary within the meaning of the Code, as selected by the Administrator. For purposes of this Plan, the Chairman of the Board's status as an employee shall be determined by the Administrator.

### **4. Effective Date and Termination of Plan**

This Plan was adopted by the Board as of August 22, 2008, and it will become effective (the *Effective Date*) when it is approved by the Company's stockholders. All Awards granted under this Plan are subject to, and may not be exercised before, the approval of this Plan by the stockholders prior to the first anniversary date of the effective date of the Plan, by the affirmative vote of the holders of a majority of the outstanding Shares of the Company present, or represented by proxy, and entitled to vote, at a meeting of the Company's stockholders or by written consent in accordance with the laws of the State of Delaware; provided that if such approval by the stockholders of the Company is not forthcoming, all Awards previously granted under this Plan shall be void. The Plan shall remain available for the grant of Awards until the tenth (10th) anniversary of the Effective Date. Notwithstanding the foregoing, the Plan may be terminated at such earlier time as the Board may determine. Termination of the Plan will not affect the rights and obligations of the Participants and the Company arising under Awards theretofore granted and then in effect.



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### **5. Shares Subject to the Plan and to Awards**

(a) *Aggregate Limits.* The aggregate number of Shares issuable pursuant to all Awards shall not exceed 1,620,000, plus any Shares subject to outstanding awards under the Prior Plan as of August 8, 2008 that on or after such date cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable shares); provided that any Shares granted under Options or Stock Appreciation Rights shall be counted against this limit on a one-for-one basis and any Shares granted as Awards other than Options or Stock Appreciation Rights shall be counted against this limit as 1.8 Shares for every one (1) Share subject to such Award. The aggregate number of Shares available for grant under this Plan and the number of Shares subject to outstanding Awards shall be subject to adjustment as provided in Section 12. The Shares issued pursuant to Awards granted under this Plan may be shares that are authorized and unissued or shares that were reacquired by the Company, including shares purchased in the open market.

(b) *Issuance of Shares.* For purposes of Section 5(a), the aggregate number of Shares issued under this Plan at any time shall equal only the number of Shares actually issued upon exercise or settlement of an Award. Notwithstanding the foregoing, Shares subject to an Award under the Plan may not again be made available for issuance under the Plan if such Shares are: (i) Shares that were subject to a stock-settled Stock Appreciation Right and were not issued upon the net settlement or net exercise of such Stock Appreciation Right, (ii) Shares used to pay the exercise price of an Option, (iii) Shares delivered to or withheld by the Company to pay the withholding taxes related an Award, or (iv) Shares repurchased on the open market with the proceeds of an Option exercise. Shares subject to Awards that have been canceled, expired, forfeited or otherwise not issued under an Award and Shares subject to Awards settled in cash shall not count as Shares issued under this Plan.

(c) *Tax Code Limits.* The aggregate number of Shares subject to Awards granted under this Plan during any calendar year to any one Participant shall not exceed 500,000, which number shall be calculated and adjusted pursuant to Section 12 only to the extent that such calculation or adjustment will not affect the status of any Award intended to qualify as performance-based compensation under Section 162(m) of the Code but which number shall not count any tandem SARs (as defined in Section 7). The aggregate number of Shares that may be issued pursuant to the exercise of Incentive Stock Options granted under this Plan shall not exceed 1,620,000, which number shall be calculated and adjusted pursuant to Section 12 only to the extent that such calculation or adjustment will not affect the status of any option intended to qualify as an Incentive Stock Option under Section 422 of the Code. The maximum cash amount payable pursuant to that portion of an Incentive Bonus granted in any calendar year to any Participant under this Plan that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall not exceed \$5,000,000.

(d) *Director Awards.* The aggregate number of Shares subject to Options and Stock Appreciation Rights granted under this Plan during any calendar year to any one Nonemployee Director shall not exceed 50,000, and the aggregate number of Shares issued or issuable under all Awards granted under this Plan other than Options or Stock Appreciation Rights during any calendar year to any one Nonemployee Director shall not exceed 25,000; provided, however, that in the calendar year in which a Nonemployee Director first joins the Board of Directors or is first designated as Chairman of the Board of Directors or Lead Director, the maximum number of shares subject to Awards granted to the Participant may be up to two hundred percent (200%) of the number of shares set forth in the foregoing limits and the foregoing limits shall not count any tandem SARs (as defined in Section 7).

### **6. Options**

(a) *Option Awards.* Options may be granted at any time and from time to time prior to the termination of the Plan to Participants as determined by the Administrator. No Participant shall have any rights as a stockholder with respect to any Shares subject to Option hereunder until said Shares have been issued. Each Option shall be evidenced by an

Award Agreement. Options granted pursuant to the Plan need not be identical but each Option must contain and be subject to the terms and conditions set forth below.

(b) *Price.* The Administrator will establish the exercise price per Share under each Option, which, in no event will be less than the Fair Market Value of the Shares on the date of grant; provided, however, that the exercise price per Share with respect to an Option that is granted in connection with a merger or other acquisition as a substitute or replacement award for options held by optionees of the acquired entity may be less than 100% of the

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market price of the Shares on the date such Option is granted if such exercise price is based on a formula set forth in the terms of the options held by such optionees or in the terms of the agreement providing for such merger or other acquisition. The exercise price of any Option may be paid in Shares, cash or a combination thereof, as determined by the Administrator, including an irrevocable commitment by a broker to pay over such amount from a sale of the Shares issuable under an Option, the delivery of previously owned Shares and withholding of Shares deliverable upon exercise.

(c) *No Repricing without Stockholder Approval.* Other than in connection with a change in the Company's capitalization (as described in Section 12) the exercise price of an Option may not be reduced without stockholder approval (including canceling previously awarded Options and regranting them with a lower exercise price).

(d) *Provisions Applicable to Options.* The date on which Options become exercisable shall be determined at the sole discretion of the Administrator and set forth in an Award Agreement. Unless provided otherwise in the applicable Award Agreement, to the extent that the Administrator determines that an approved leave of absence is not a Termination of Employment, the vesting period and/or exercisability of an Option shall be adjusted by the Administrator during or to reflect the effects of any period during which the Participant is on an approved leave of absence or is employed on a less than full-time basis.

(e) *Term of Options and Termination of Employment:* The Administrator shall establish the term of each Option, which in no case shall exceed a period of seven (7) years from the date of grant. Unless an Option earlier expires upon the expiration date established pursuant to the foregoing sentence, upon the termination of the Participant's employment, his or her rights to exercise an Option then held shall be only as follows, unless the Administrator specifies otherwise:

(1) *Death.* Upon the death of a Participant while in the employ of the Company or any Subsidiary or while serving as a member of the Board, all of the Participant's Options then held shall be exercisable by his or her estate, heir or beneficiary at any time during the one (1) year period commencing on the date of death. Any and all of the deceased Participant's Options that are not exercised during the one (1) year commencing on the date of death shall terminate as of the end of such one (1) year period.

If a Participant should die within thirty (30) days of his or her Termination of Employment with the Company and its Subsidiaries, an Option shall be exercisable by his or her estate, heir or beneficiary at any time during the one (1) year period commencing on the date of termination, but only to the extent of the number of Shares as to which such Option was exercisable as of the date of such termination. Any and all of the deceased Participant's Options that are not exercised during the one (1) year period commencing on the date of termination shall terminate as of the end of such one (1) year period. A Participant's estate shall mean his or her legal representative or other person who so acquires the right to exercise the Option by bequest or inheritance or by reason of the death of the Participant.

(2) *Disability.* Upon Termination of Employment as a result of a Participant's Disability, all of the Participant's Options then held shall be exercisable during the one (1) year period commencing on the date of termination. Any and all Options that are not exercised during the one (1) year period commencing on the date of termination shall terminate as of the end of such one (1) year period.

(3) *Other Reasons.* Upon the date of a termination of a Participant's employment for any reason other than those stated above in Sections 6(e)(1) and (e)(2) or as described in Section 15, (A) to the extent that any Option is not exercisable as of such termination date, such portion of the Option shall remain unexercisable and shall terminate as of such date, and (B) to the extent that any Option is exercisable as of such termination date, such portion of the Option shall expire on the earlier of (i) ninety (90) days following such date and (ii) the expiration date of such Option.

(f) *Incentive Stock Options.* Notwithstanding anything to the contrary in this Section 6, in the case of the grant of an Option intending to qualify as an Incentive Stock Option: (i) if the Participant owns stock possessing more than 10 percent of the combined voting power of all classes of stock of the Company (a 10% Shareholder ), the exercise price of such Option must be at least 110 percent of the Fair Market Value of the Shares on the date of grant and the Option must expire within a period of not more than five (5) years from the date of grant, and (ii) Termination of Employment will occur when the person to whom an Award was granted ceases to be an

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employee (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company and its Subsidiaries. Notwithstanding anything in this Section 6 to the contrary, options designated as Incentive Stock Options shall not be eligible for treatment under the Code as Incentive Stock Options (and will be deemed to be Nonqualified Stock Options) to the extent that either (a) the aggregate Fair Market Value of Shares (determined as of the time of grant) with respect to which such Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Subsidiary) exceeds \$100,000, taking Options into account in the order in which they were granted, or (b) such Options otherwise remain exercisable but are not exercised within three (3) months of Termination of Employment (or such other period of time provided in Section 422 of the Code).

**7. Stock Appreciation Rights**

Stock Appreciation Rights may be granted to Participants from time to time either in tandem with or as a component of other Awards granted under the Plan ( tandem SARs ) or not in conjunction with other Awards ( freestanding SARs ) and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each grant or each recipient. Any Stock Appreciation Right granted in tandem with an Award may be granted at the same time such Award is granted or at any time thereafter before exercise or expiration of such Award. All freestanding SARs shall be granted subject to the same terms and conditions applicable to Options as set forth in Section 6 and all tandem SARs shall have the same exercise price, vesting, exercisability, forfeiture and termination provisions as the Award to which they relate. Subject to the provisions of Section 6 and the immediately preceding sentence, the Administrator may impose such other conditions or restrictions on any Stock Appreciation Right as it shall deem appropriate. Stock Appreciation Rights may be settled in Shares, cash or a combination thereof, as determined by the Administrator and set forth in the applicable Award Agreement. Other than in connection with a change in the Company's capitalization (as described in Section 12) the exercise price of Stock Appreciation Rights may not be reduced without stockholder approval (including canceling previously awarded Stock Appreciation Rights and regranting them with a lower exercise price).

**8. Restricted Stock and Restricted Stock Units**

(a) *Restricted Stock and Restricted Stock Unit Awards.* Restricted Stock and Restricted Stock Units may be granted at any time and from time to time prior to the termination of the Plan to Participants as determined by the Administrator. Restricted Stock is an award or issuance of Shares the grant, issuance, retention, vesting and/or transferability of which is subject during specified periods of time to such conditions (including continued employment or performance conditions) and terms as the Administrator deems appropriate. Restricted Stock Units are Awards denominated in units of Shares under which the issuance of Shares is subject to such conditions (including continued employment or performance conditions) and terms as the Administrator deems appropriate. Each grant of Restricted Stock and Restricted Stock Units shall be evidenced by an Award Agreement. Unless determined otherwise by the Administrator, each Restricted Stock Unit will be equal to one Share and will entitle a Participant to either the issuance of Shares or payment of an amount of cash determined with reference to the value of Shares. To the extent determined by the Administrator, Restricted Stock and Restricted Stock Units may be satisfied or settled in Shares, cash or a combination thereof. Restricted Stock and Restricted Stock Units granted pursuant to the Plan need not be identical but each grant of Restricted Stock and Restricted Stock Units must contain and be subject to the terms and conditions set forth below.

(b) *Contents of Agreement.* Each Award Agreement shall contain provisions regarding (i) the number of Shares or Restricted Stock Units subject to such Award or a formula for determining such number, (ii) the purchase price of the Shares, if any, and the means of payment, (iii) the performance criteria, if any, and level of achievement versus these criteria that shall determine the number of Shares or Restricted Stock Units granted, issued, retainable and/or vested, (iv) such terms and conditions on the grant, issuance, vesting and/or forfeiture of the Shares or Restricted Stock Units

as may be determined from time to time by the Administrator, (v) the term of the performance period, if any, as to which performance will be measured for determining the number of such Shares or Restricted Stock Units, and (vi) restrictions on the transferability of the Shares or Restricted Stock Units. Shares

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issued under a Restricted Stock Award may be issued in the name of the Participant and held by the Participant or held by the Company, in each case as the Administrator may provide.

(c) *Vesting and Performance Criteria.* The grant, issuance, retention, vesting and/or settlement of shares of Restricted Stock and Restricted Stock Units will occur when and in such installments as the Administrator determines or under criteria the Administrator establishes, which may include Qualifying Performance Criteria. The grant, issuance, retention, vesting and/or settlement of Shares under any such Award that is based on performance criteria and level of achievement versus such criteria will be subject to a performance period of not less than twelve months, and the grant, issuance, retention, vesting and/or settlement of Shares under any Restricted Stock or Restricted Stock Unit Award that is based solely upon continued employment and/or the passage of time may not vest or be settled in full prior to the thirty-sixth month following its date of grant, but may be subject to pro-rata vesting over such period, except that the Administrator may provide for the satisfaction and/or lapse of all conditions under any such Award in the event of the Participant's retirement, death or disability or in connection with a Change in Control, and the Administrator may provide that any such restriction or limitation will not apply in the case of a Restricted Stock or Restricted Stock Unit Award that is issued in payment or settlement of compensation that has been earned by the Participant. In addition, the limitations set forth in the preceding sentence shall not apply to any Awards granted to Nonemployee Directors. Notwithstanding anything in this Plan to the contrary, the performance criteria for any Restricted Stock or Restricted Stock Unit that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code will be a measure based on one or more Qualifying Performance Criteria selected by the Administrator and specified when the Award is granted.

(d) *Discretionary Adjustments and Limits.* Subject to the limits imposed under Section 162(m) of the Code for Awards that are intended to qualify as performance-based compensation, notwithstanding the satisfaction of any performance goals, the number of Shares granted, issued, retainable and/or vested under an Award of Restricted Stock or Restricted Stock Units on account of either financial performance or personal performance evaluations may, to the extent specified in the Award Agreement, be reduced, but not increased, by the Administrator on the basis of such further considerations as the Administrator shall determine.

(e) *Voting Rights.* Unless otherwise determined by the Administrator, Participants holding shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those shares during the period of restriction. Participants shall have no voting rights with respect to Shares underlying Restricted Stock Units unless and until such Shares are reflected as issued and outstanding shares on the Company's stock ledger.

(f) *Dividends and Distributions.* Participants in whose name Restricted Stock is granted shall be entitled to receive all dividends and other distributions paid with respect to those Shares, unless determined otherwise by the Administrator. The Administrator will determine whether any such dividends or distributions will be automatically reinvested in additional shares of Restricted Stock and subject to the same restrictions on transferability as the Restricted Stock with respect to which they were distributed or whether such dividends or distributions will be paid in cash. Shares underlying Restricted Stock Units shall be entitled to dividends or dividend equivalents only to the extent provided by the Administrator.

**9. Incentive Bonuses**

(a) *General.* Each Incentive Bonus Award will confer upon the Participant the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period of not less than one year.

(b) *Incentive Bonus Document.* The terms of any Incentive Bonus will be set forth in an Award Agreement. Each Award Agreement evidencing an Incentive Bonus shall contain provisions regarding (i) the target and maximum

amount payable to the Participant as an Incentive Bonus, (ii) the performance criteria and level of achievement versus these criteria that shall determine the amount of such payment, (iii) the term of the performance period as to which performance shall be measured for determining the amount of any payment, (iv) the timing of any payment earned by virtue of performance, (v) restrictions on the alienation or transfer of the Incentive Bonus prior to actual payment, (vi) forfeiture provisions and (vii) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Administrator.

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(c) *Performance Criteria.* The Administrator shall establish the performance criteria and level of achievement versus these criteria that shall determine the target and maximum amount payable under an Incentive Bonus, which criteria may be based on financial performance and/or personal performance evaluations. The Administrator may specify the percentage of the target Incentive Bonus that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code. Notwithstanding anything to the contrary herein, the performance criteria for any portion of an Incentive Bonus that is intended by the Administrator to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall be a measure based on one or more Qualifying Performance Criteria (as defined in Section 13(b)) selected by the Administrator and specified at the time the Incentive Bonus is granted. The Administrator shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Incentive Bonus that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code.

(d) *Timing and Form of Payment.* The Administrator shall determine the timing of payment of any Incentive Bonus. Payment of the amount due under an Incentive Bonus may be made in cash or in Shares, as determined by the Administrator. The Administrator may provide for or, subject to such terms and conditions as the Administrator may specify, may permit a Participant to elect for the payment of any Incentive Bonus to be deferred to a specified date or event.

(e) *Discretionary Adjustments.* Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Bonus on account of either financial performance or personal performance evaluations may, to the extent specified in the Award Agreement, be reduced, but not increased, by the Administrator on the basis of such further considerations as the Administrator shall determine.

## **10. Deferral of Gains**

The Administrator may, in an Award Agreement or otherwise, provide for the deferred delivery of Shares upon settlement, vesting or other events with respect to Restricted Stock or Restricted Stock Units, or in payment or satisfaction of an Incentive Bonus. Notwithstanding anything herein to the contrary, in no event will any deferral of the delivery of Shares or any other payment with respect to any Award be allowed if the Administrator determines, in its sole discretion, that the deferral would result in the imposition of the additional tax under Section 409A(a)(1)(B) of the Code. No award shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken by the Board.

## **11. Conditions and Restrictions Upon Securities Subject to Awards**

The Administrator may provide that the Shares issued upon exercise of an Option or Stock Appreciation Right or otherwise subject to or issued under an Award shall be subject to such further agreements, restrictions, conditions or limitations as the Administrator in its discretion may specify prior to the exercise of such Option or Stock Appreciation Right or the grant, vesting or settlement of such Award, including without limitation, conditions on vesting or transferability, forfeiture or repurchase provisions and method of payment for the Shares issued upon exercise, vesting or settlement of such Award (including the actual or constructive surrender of Shares already owned by the Participant) or payment of taxes arising in connection with an Award. Without limiting the foregoing, such restrictions may address the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Shares issued under an Award, including without limitation (i) restrictions under an insider trading policy or pursuant to applicable law, (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and holders of other Company equity compensation arrangements, (iii) restrictions as to the use of

a specified brokerage firm for such resales or other transfers and (iv) provisions requiring Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.

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**Table of Contents****12. Adjustment of and Changes in the Stock**

In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), stock split or a combination or consolidation of the outstanding Shares into a lesser number of shares, is declared with respect to the Shares, the authorization limits under Sections 5(a) and 5(c) shall be increased or decreased proportionately, and the Shares then subject to each Award shall be increased or decreased proportionately without any change in the aggregate purchase price therefore. In the event the Shares shall be changed into or exchanged for a different number or class of shares of stock or securities of the Company or of another corporation, whether through recapitalization, reorganization, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or any other similar corporate transaction or event affects the Shares such that an equitable adjustment would be required in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the authorization limits under Sections 5(a) and 5(c) shall be adjusted proportionately, and an equitable adjustment shall be made to each Share subject to an Award such that no dilution or enlargement of the benefits or potential benefits occurs. Each such Share then subject to each Award shall be adjusted to the number and class of shares into which each outstanding Share shall be so exchanged such that no dilution or enlargement of the benefits occurs, all without change in the aggregate purchase price for the Shares then subject to each Award. Action by the Administrator pursuant to this Section 12 may include adjustment to any or all of: (i) the number and type of Shares (or other securities or other property) that thereafter may be made the subject of Awards or be delivered under the Plan; (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards; (iii) the purchase price or exercise price of a Share under any outstanding Award or the measure to be used to determine the amount of the benefit payable on an Award; and (iv) any other adjustments the Administrator determines to be equitable.

No right to purchase fractional shares shall result from any adjustment in Awards pursuant to this Section 12. In case of any such adjustment, the Shares subject to the Award shall be rounded down to the nearest whole share. The Company shall notify Participants holding Awards subject to any adjustments pursuant to this Section 12 of such adjustment, but (whether or not notice is given) such adjustment shall be effective and binding for all purposes of the Plan.

**13. Qualifying Performance-Based Compensation**

(a) *General.* The Administrator may establish performance criteria and level of achievement versus such criteria that shall determine the number of Shares to be granted, retained, vested, issued or issuable under or in settlement of or the amount payable pursuant to an Award, which criteria may be based on Qualifying Performance Criteria or other standards of financial performance and/or personal performance evaluations. In addition, the Administrator may specify that an Award or a portion of an Award is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code, provided that the performance criteria for such Award or portion of an Award that is intended by the Administrator to satisfy the requirements for performance-based compensation under Section 162(m) of the Code shall be a measure based on one or more Qualifying Performance Criteria selected by the Administrator and specified at the time the Award is granted. The Administrator shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment, settlement or vesting of any Award that is intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code. Notwithstanding satisfaction of any performance goals, the number of Shares issued under or the amount paid under an award may, to the extent specified in the Award Agreement, be reduced, but not increased, by the Administrator on the basis of such further considerations as the Administrator in its sole discretion shall determine.

(b) *Qualifying Performance Criteria.* For purposes of this Plan, the term *Qualifying Performance Criteria* shall mean any one or more of the following performance criteria, or derivations of such performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Administrator: (i) cash flow (before or after

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dividends), (ii) earnings per share (including earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) total stockholder return, (vi) return on capital (including return on total capital or return on invested capital), (vii) return on assets or net assets, (viii) market capitalization, (ix) economic value added, (x) debt leverage (debt to capital), (xi) revenue, (xii) income or net income, (xiii) operating income, (xiv) operating profit or net operating profit, (xv) operating margin or profit margin, (xvi) return on operating revenue, (xvii) cash from operations, (xviii) operating ratio, (xix) operating revenue, (xx) market share, (xxi) (xxii) product development or release schedules, (xxiii) new product innovation, (xxiv) product cost reduction through advanced technology, (xxv) brand recognition/acceptance, (xxvi) product ship targets, (xxvii) cost reductions, customer service, (xxviii) customer satisfaction or (xxix) the sales of assets or subsidiaries. To the extent consistent with Section 162(m) of the Code, the Administrator (A) shall appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to eliminate the effects of charges for restructurings, discontinued operations, extraordinary items and all items of gain, loss or expense determined to be extraordinary or unusual in nature or related to the disposal of a segment of a business or related to a change in accounting principle all as determined in accordance with standards established by opinion No. 30 of the Accounting Principles Board (APA Opinion No. 30) or other applicable or successor accounting provisions, as well as the cumulative effect of accounting changes, in each case as determined in accordance with generally accepted accounting principles or identified in the Company's financial statements or notes to the financial statements, and (B) may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) accruals of any amounts for payment under this Plan or any other compensation arrangement maintained by the Company.

**14. Transferability**

Each Award may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated by a Participant other than by will or the laws of descent and distribution, and each Option or Stock Appreciation Right shall be exercisable only by the Participant during his or her lifetime. Notwithstanding the foregoing, to the extent permitted by the Administrator, the person to whom an Award is initially granted (the Grantee) may transfer an Award to any family member of the Grantee (as such term is defined in Section 1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended (Form S-8)), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that, (i) as a condition thereof, the transferor and the transferee must execute a written agreement containing such terms as specified by the Administrator, and (ii) the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8. Except to the extent specified otherwise in the agreement the Administrator provides for the Grantee and transferee to execute, all vesting, exercisability and forfeiture provisions that are conditioned on the Grantee's continued employment or service shall continue to be determined with reference to the Grantee's employment or service (and not to the status of the transferee) after any transfer of an Award pursuant to this Section 14, and the responsibility to pay any taxes in connection with an Award shall remain with the Grantee notwithstanding any transfer other than by will or intestate succession.

**15. Suspension or Termination of Awards**

Except as otherwise provided by the Administrator, if at any time (including after a notice of exercise has been delivered or an award has vested) the Chief Executive Officer or any other person designated by the Administrator (each such person, an Authorized Officer) reasonably believes that a Participant may have committed any act constituting Cause for termination of employment or any Detrimental Activity, the Authorized Officer, Administrator or the Board may suspend the Participant's rights to exercise any Option, to vest in an Award, and/or to receive payment for or receive Shares in settlement of an Award pending a determination of whether such an act has been

committed.

If the Administrator or an Authorized Officer determines a Participant has committed any act constituting Cause for termination of employment or any Detrimental Activity, then except as otherwise provided by the Administrator, (i) neither the Participant nor his or her estate nor transferee shall be entitled to exercise any Option

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or Stock Appreciation Right whatsoever, vest in or have the restrictions on an Award lapse, or otherwise receive payment of an Award, (ii) the Participant will forfeit all outstanding Awards and (iii) the Participant may be required, at the Administrator's sole discretion, to return and/or repay to the Company any then unvested Shares previously issued under the Plan. In making such determination, the Administrator or an Authorized Officer shall give the Participant an opportunity to appear and present evidence on his or her behalf at a hearing before the Administrator or its designee or an opportunity to submit written comments, documents, information and arguments to be considered by the Administrator. Any dispute by a Participant or other person as to the determination of the Administrator shall be resolved pursuant to Section 23 of the Plan.

### **16. Compliance with Laws and Regulations**

This Plan, the grant, issuance, vesting, exercise and settlement of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all applicable foreign, federal, state and local laws, rules and regulations, stock exchange rules and regulations, and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Shares prior to the completion of any registration or qualification of such shares under any foreign, federal, state or local law or any ruling or regulation of any government body which the Administrator shall determine to be necessary or advisable. To the extent the Company is unable to or the Administrator deems it infeasible to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, the Company and its Subsidiaries shall be relieved of any liability with respect to the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained. No Option shall be exercisable and no Shares shall be issued and/or transferable under any other Award unless a registration statement with respect to the Shares underlying such Option is effective and current or the Company has determined that such registration is unnecessary.

In the event an Award is granted to or held by a Participant who is employed or providing services outside the United States, the Administrator may, in its sole discretion, modify the provisions of the Plan or of such Award as they pertain to such individual to comply with applicable foreign law or to recognize differences in local law, currency or tax policy. The Administrator may also impose conditions on the grant, issuance, exercise, vesting, settlement or retention of Awards in order to comply with such foreign law and/or to minimize the Company's obligations with respect to tax equalization for Participants employed outside their home country.

### **17. Withholding**

To the extent required by applicable federal, state, local or foreign law, a Participant shall be required to satisfy, in a manner satisfactory to the Company, any withholding tax obligations that arise by reason of an Option exercise, disposition of Shares issued under an Incentive Stock Option, the vesting of or settlement of an Award, an election pursuant to Section 83(b) of the Code or otherwise with respect to an Award. To the extent a Participant makes an election under Section 83(b) of the Code, within ten days of filing such election with the Internal Revenue Service, the Participant must notify the Company in writing of such election. The Company and its Subsidiaries shall not be required to issue Shares, make any payment or to recognize the transfer or disposition of Shares until all such obligations are satisfied. The Administrator may provide for or permit these obligations to be satisfied through the mandatory or elective sale of Shares and/or by having the Company withhold a portion of the Shares that otherwise would be issued to him or her upon exercise of the Option or the vesting or settlement of an Award, or by tendering Shares previously acquired. To the extent a Participant makes an election under Section 83(b) of the Code, within ten days of filing such election with the Internal Revenue Service, the Participant must notify the Company in writing of such election.

### **18. Administration of the Plan**

(a) *Administrator of the Plan.* The Plan shall be administered by the Administrator who shall be the Compensation Committee of the Board or, in the absence of a Compensation Committee, the Board itself. Any power of the Administrator may also be exercised by the Board, except to the extent that the grant or exercise of such authority would cause any Award or transaction to become subject to (or lose an exemption under) the short-swing

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profit recovery provisions of Section 16 of the Securities Exchange Act of 1934 or cause an Award designated as a Performance Award not to qualify for treatment as performance-based compensation under Section 162(m) of the Code. To the extent that any permitted action taken by the Board conflicts with action taken by the Administrator, the Board action shall control. The Compensation Committee hereby designates the Secretary of the Company and the head of the Company's human resource function to assist the Administrator in the administration of the Plan and execute agreements evidencing Awards made under this Plan or other documents entered into under this Plan on behalf of the Administrator or the Company. In addition, the Compensation Committee may delegate any or all aspects of the day-to-day administration of the Plan to one or more officers or employees of the Company or any Subsidiary, and/or to one or more agents.

(b) *Powers of Administrator.* Subject to the express provisions of this Plan, the Administrator shall be authorized and empowered to do all things that it determines to be necessary or appropriate in connection with the administration of this Plan, including, without limitation: (i) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein; (ii) to determine which persons are Participants, to which of such Participants, if any, Awards shall be granted hereunder and the timing of any such Awards; (iii) to grant Awards to Participants and determine the terms and conditions thereof, including the number of Shares subject to Awards and the exercise or purchase price of such Shares and the circumstances under which Awards become exercisable or vested or are forfeited or expire, which terms may but need not be conditioned upon the passage of time, continued employment, the satisfaction of performance criteria, the occurrence of certain events (including a Change in Control), or other factors; (iv) to establish and verify the extent of satisfaction of any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award; (v) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical) and the terms of or form of any document or notice required to be delivered to the Company by Participants under this Plan; (vi) to determine the extent to which adjustments are required pursuant to Section 12; (vii) to interpret and construe this Plan, any rules and regulations under this Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in if the Administrator, in good faith, determines that it is necessary to do so in light of extraordinary circumstances and for the benefit of the Company; (viii) to approve corrections in the documentation or administration of any Award; (ix) to require or permit Participant elections and/or consents under this Plan to be made by means of such electronic media as the Administrator may prescribe; and (x) to make all other determinations deemed necessary or advisable for the administration of this Plan. The Administrator may, in its sole and absolute discretion, without amendment to the Plan, waive or amend the operation of Plan provisions respecting exercise after termination of employment or service to the Company or an Affiliate and, except as otherwise provided herein, adjust any of the terms of any Award. The Administrator may also (A) accelerate the date on which any Award granted under the Plan becomes exercisable or (B) accelerate the vesting date or waive or adjust any condition imposed hereunder with respect to the vesting or exercisability of an Award, provided that the Administrator, in good faith, determines that such acceleration, waiver or other adjustment is necessary or desirable in light of extraordinary circumstances. Notwithstanding anything in the Plan to the contrary, no Award outstanding under the Plan may be repriced, regranted through cancellation or otherwise amended to reduce the exercise price applicable thereto (other than with respect to adjustments made in connection with a transaction or other change in the Company's capitalization as described in Section 12) without the approval of the Company's stockholders.

(c) *Determinations by the Administrator.* All decisions, determinations and interpretations by the Administrator regarding the Plan, any rules and regulations under the Plan and the terms and conditions of or operation of any Award granted hereunder, shall be final and binding on all Participants, beneficiaries, heirs, assigns or other persons holding or claiming rights under the Plan or any Award. The Administrator shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer or other employee of the Company and such attorneys, consultants and accountants as it may select.

(d) *Subsidiary Awards.* In the case of a grant of an Award to any Participant employed by a Subsidiary, such grant may, if the Administrator so directs, be implemented by the Company issuing any subject Shares to the Subsidiary, for such lawful consideration as the Administrator may determine, upon the condition or understanding that the Subsidiary will transfer the Shares to the Participant in accordance with the terms of the Award specified by

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the Administrator pursuant to the provisions of the Plan. Notwithstanding any other provision hereof, such Award may be issued by and in the name of the Subsidiary and shall be deemed granted on such date as the Administrator shall determine.

### **19. Amendment of the Plan or Awards**

The Board may amend, alter or discontinue this Plan and the Administrator may amend, or alter any agreement or other document evidencing an Award made under this Plan but, except as provided pursuant to the provisions of Section 12, no such amendment shall, without the approval of the stockholders of the Company:

- (a) increase the maximum number of Shares for which Awards may be granted under this Plan;
- (b) reduce the price at which Options may be granted below the price provided for in Section 6(a);
- (c) reduce the exercise price of outstanding Options;
- (d) extend the term of this Plan;
- (e) change the class of persons eligible to be Participants;
- (f) otherwise amend the Plan in any manner requiring stockholder approval by law or under the New York Stock Exchange listing requirements; or
- (g) increase the individual maximum limits in Sections 5(c) and (d).

No amendment or alteration to the Plan or an Award or Award Agreement shall be made which would impair the rights of the holder of an Award, without such holder's consent, provided that no such consent shall be required if the Administrator determines in its sole discretion and prior to the date of any Change in Control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard.

### **20. No Liability of Company**

The Company and any Subsidiary or affiliate which is in existence or hereafter comes into existence shall not be liable to a Participant or any other person as to: (i) the non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder; and (ii) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Award granted hereunder.

### **21. Non-Exclusivity of Plan**

Neither the adoption of this Plan by the Board nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Administrator to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of restricted stock or stock options otherwise than under this Plan or an arrangement not intended to qualify under Code Section 162(m), and such arrangements may be either generally applicable or applicable only in specific cases.

### **22. Governing Law**

This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the Delaware and applicable federal law. Any reference in this Plan or in the agreement or other document evidencing any Awards to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

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**23. Arbitration of Disputes**

In the event a Participant or other holder of an Award or person claiming a right under an Award or the Plan believes that a decision by the Administrator with respect to such person or Award was arbitrary or capricious, the person may request arbitration with respect to such decision. The review by the arbitrator shall be limited to determining whether the Participant or other Award holder has proven that the Administrator's decision was arbitrary or capricious. This arbitration shall be the sole and exclusive review permitted of the Administrator's decision. Participants, Award holders and persons claiming rights under an Award or the Plan explicitly waive any right to judicial review.

Notice of demand for arbitration shall be made in writing to the Administrator within thirty (30) days after the applicable decision by the Administrator. The arbitrator shall be selected by those members of the Board who are neither members of the Compensation Committee of the Board nor employees of the Company or any Subsidiary. If there are no such members of the Board, the arbitrator shall be selected by the Board. The arbitrator shall be an individual who is an attorney licensed to practice law in the jurisdiction in which the Company's headquarters are then located. Such arbitrator shall be neutral within the meaning of the Commercial Rules of Dispute Resolution of the American Arbitration Association; provided, however, that the arbitration shall not be administered by the American Arbitration Association. Any challenge to the neutrality of the arbitrator shall be resolved by the arbitrator whose decision shall be final and conclusive. The arbitration shall be administered and conducted by the arbitrator pursuant to the Commercial Rules of Dispute Resolution of the American Arbitration Association. Each side shall bear its own fees and expenses, including its own attorney's fees, and each side shall bear one half of the arbitrator's fees and expenses. The decision of the arbitrator on the issue(s) presented for arbitration shall be final and conclusive and may be enforced in any court of competent jurisdiction.

**24. No Right to Employment, Reelection or Continued Service**

Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company, its Subsidiaries and/or its affiliates to terminate any Participant's employment, service on the Board or service for the Company at any time or for any reason not prohibited by law, nor shall this Plan or an Award itself confer upon any Participant any right to continue his or her employment or service for any specified period of time. Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company, any Subsidiary and/or its affiliates. Subject to Sections 4 and 19, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Board without giving rise to any liability on the part of the Company, its Subsidiaries and/or its affiliates.

**25. Unfunded Plan**

The Plan is intended to be an unfunded plan. Participants are and shall at all times be general creditors of the Company with respect to their Awards. If the Administrator or the Company chooses to set aside funds in a trust or otherwise for the payment of Awards under the Plan, such funds shall at all times be subject to the claims of the creditors of the Company in the event of its bankruptcy or insolvency.

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This Proxy, when properly executed, will be voted in the manner directed by the stockholder. If no direction is given, this Proxy will be voted FOR the election of all nominees for Ple ase election as directors, FOR the ratification of independent registered public accounting firm and FOR the approval of the Korn/Ferry International 2008 Stock Incentive Plan. Mark Here for Address Change or Comments SEE REVERSE SIDE FOR AGAIN ST ABSTAIN 1. To elect as Class 2011 Directors: 2. To ratify the appointment of Ernst & Young LLP FOR all nominees WITHHOLD AUTHORITY as n i dependent registered public accounting firm 01 Debra Perry, lis ted (except as t o vote for all nominees for fiscal 2009. marked t o t h e contrary) listed at left 02 Gerhard Schulmeyer and FOR AGAIN ST ABSTAIN 03 Harry You 3. To approve the Korn/Ferry International 2008 Stock Incentive Plan. FOR AGAIN ST ABSTAIN 4. To act upon any other matters that may properly INSTRUCTION: To wit hhold authority to vote for an n i dividual nominee, check the come before the meeting and any adjournments FOR box and write the nominee s name in the space provided: or postponements thereof. IMPORTANT PLEASE SIGN, DATE AND RETURN THIS PROXY PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. Signature Signature Date NOTE: (Please sign EXACTLY as your name appears on this card. Joint owners should each sign. Attorney-in-fact, executors, administrators, trustees, guardians or corporation officers should give their FULL title. This proxy shall be valid and may be voted regardless of the form of signature however.) FOLD AND DETACH HERE WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING, BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK. Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to annual meeting day. Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. INTERNET TELEPHONE <http://www.proxyvoting.com/kfy> 1-866-540-5760 Use the Internet to vote your proxy. OR Use any touch-tone telephone to Have your proxy card in hand vote your proxy. Have your proxy when you access the web site. card in hand when you call. If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card. To vote by mail, mark, sign and date your proxy card and return it n i the enclosed postage-paid envelope. Choose MLink(SM)for fast, easy and secure 24/7 onli ne access to your future proxy materials , n i vestment plan statements, tax documents and more. Simply log on to Investor ServiceDirect(®)at [www.bnymel on.com/shareowner/isd](http://www.bnymel on.com/shareowner/isd) where step-by-step in structio ns will prompt you through enrollm ent.

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PROXY FOR THE 2008 ANNUAL MEETING OF STOCKHOLDERS THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS The undersigned hereby acknowledges receipt of the accompanying Notice of Annual Meeting of Stockholders, to be held on September 23, 2008, and the related Proxy Statement and Korn/Ferry International's Annual Report on Form 10-K for the fiscal year ended April 30, 2008, and hereby appoints Paul C. Reilly and Gary D. Burnison, and each of them the attorney(s), agent(s) and proxy(ies) of the undersigned, with full power of substitution, to vote all stock of Korn/Ferry International which the undersigned is entitled to vote, for the matters indicated on the reverse side of this proxy card in the manner designated on the reverse side, or if not indicated by the undersigned in their discretion, and to vote in their discretion with respect to such other matters (including matters incidental to the conduct of the meeting) as may properly come before the meeting and all adjournments and postponements thereof. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE PROPOSALS. Address Change/Comments (Mark the corresponding box on the reverse side) FOLD AND DETACH HERE PRINT AUTHORIZATION (THIS BOXED AREA DOES NOT PRINT) To commence printing on this proxy card please sign, date and fax this card to: 212-691-9013 SIGNATURE:\_\_\_\_DATE:\_\_\_\_TIME:\_\_\_\_Registered Quantity (common)\_\_\_\_1040\_\_\_\_Broker Quantity\_\_\_\_200\_\_\_\_